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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS



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INTERNATIONAL AFFAIRS

MUTUAL DEPENDENCE, CHANGES, CONFLICTS IN WORLD ECONOMY DISCUSSED

Budapest KOZGАЗDASAGI SZEMLE in Hungarian No 9, Sep 83 pp 1039-1052

[Article by Soviet Academician Oleg T. Bogomolov, director of the Economics of the World Socialist System Institute, Moscow: "Mutual Dependence, Structural Changes and Conflicts in the World Economy"]

[Text] Increasing Mutual Dependence of National Economies

Mankind is now living probably the most complex and most responsible period of its history. Never before has it been confronted with such a threatening challenge: over its head hangs the threat of nuclear destruction; the arms race has assumed unprecedented proportions; and the world economy is suffering from a serious ailment, the consequences of which are difficult to predict. International military, political and economic stability is being undermined by ceaseless conflicts and clashes. The unsolved global problems--the supply of food, energy and raw materials, the environmental problems, etc.--are causing great concern. Scientists and politicians are pondering the question of mankind's survival. This is why it is so important to find--among other things, in the economic sphere--the ways along which we could lead the world community out of this exceptionally dangerous crisis situation.

In today's world the economy is far more international than ever before. The degree of its internationalization is such that the future of every country depends, in one way or another, on the normal development of international economic relations, on the elimination of the conflicts and contradictions that are threatening the world economy.

The mutual economic dependence of the countries of the world (according to Marxist terminology, the internationalization of the economy) finds its expression in the existence and functioning of the world economy. This complex and by no means homogeneous system of relations is one of the realities of our time. Since on our planet there are two different social systems, socialism and capitalism, and there are industrially developed or developing countries, the world economy constitutes a single but contradictory system. Here the international economic relations of the different types of social systems are intertwined, the colonial past makes its legacy felt, conflicting national interests clash, and various economic and political forces are exerting their influence.

Despite its complexity and contradictions, the world economy is a constantly developing organism, although its state and prospects are also causing deep concern at present. As also history has demonstrated, the different socioeconomic systems and the ideological differences are not an insurmountable obstacle to the joint solution of international problems by the socialist and capitalist countries, to mutually advantageous trade and cooperation between them. The different size of the countries, the different levels of their socioeconomic and cultural development, the different objectives of their domestic policies, and their geographic distribution do pose complicated problems in international relations, but they are unable to hold up the process of the economy's internationalization. To the contrary: in principle, the different national conditions enhance the establishment of international relations and trade.

The international division of labor, the resulting mutual dependence and mutually complementing nature of the countries are playing an ever-greater role in our time in mankind's socioeconomic progress.

To the traditional factors of the international division of labor the revolution in science and technology has added new ones that stem from production's present high degree of concentration, available technical equipment, and ever-broader scientific base. The revolution in science and technology has accelerated the economy's internationalization and has lent it a qualitatively new significance, changing it into an independent factor in the rise of the efficiency of social labor.

The spectrum of industrial products is so broad, their technical complexity so great (especially in engineering, electronics and the chemical industry), and a reduction of production costs--based on economies of scale and production concentration--so pressingly necessary that not even the largest and most developed countries are able to produce a complete assortment. Scientific research, experimental design, and efficient practical realization of their results are so costly that only an ever-narrower assortment can be produced economically. All this necessitates international specialization and cooperation in production and in research and development, making them an essential prerequisite for improving the efficiency of economic activity.

In this context we would like to call attention to the fact that international commodity trade is growing much faster than the production of material goods. During the past 40 years the growth rate of international trade was 1.5 times greater than the growth rate of the combined total gross domestic product of all the countries in the world. Every country is earmarking for international trade an ever-larger proportion of the goods it produces. Some economists are assuming that by the year 2000 about a third of the world's total product will be traded internationally, as compared with 20 to 22 percent at present ([1], page 52).

At the time of the economy's growing internationalization, particularly in the 1970's, peaceful coexistence of countries with different social systems, the changeover from confrontation to relaxation of international tensions, had a beneficial effect. The successes of the former colonies in winning political independence, and in developing and decolonizing their economies have contributed toward increasing the weight of these countries within the world economy, and toward stepping up their economic cooperation.

As a result of all this, the network of the individual countries' mutual economic dependence is becoming increasingly denser and stronger, and the world economy is assuming qualitatively new functions.

Solution of numerous disturbing economic problems requires international pooling of effort. Coordination of national policies and the world economy's rearrangement on democratic principles have been placed on the international agenda. The United Nations and its specialized organizations could play an important role in this.

The fact that the supply of food, energy and raw materials has grown from national problems into world-scale ones is the most spectacular proof that countries and peoples must cooperate more and more closely.

Because fuel resources (petroleum in particular) and mineral raw materials are distributed unevenly among countries, the world economy's mechanism must play an especially complicated role in supplying the growing demands that the countries themselves are unable to solve on their own.

The industrially developed countries of the capitalist world own among themselves more than 40 percent of the explored deposits of mineral raw materials, but their combined share in the consumption of these raw materials is 70 percent. At the same time, the distribution of these raw-material resources is uneven even among the major countries. Japan supplies through purchases from abroad 90 percent of its demand; Western Europe, 75 percent; and the United States, 10 percent. The EEC countries obtain more than half of their energy consumption (in the case of petroleum, a much larger share) through import from third countries. The United States is supplying through import approximately 40 percent of its petroleum demand ([2], p 9).

The CEMA countries are supplying from their own production or through mutual cooperation about 95 percent of their demand for petroleum, natural gas, electricity, coal, iron ore and several other important raw materials. In this they have an obvious advantage over the European Economic Community. This advantage became evident particularly when there were serious disruptions in the functioning of the world economy, as in 1973-1974.

However, the distribution of natural resources is very uneven also within CEMA. The bulk of the petroleum, natural gas, iron ore, rare-earth and nonferrous metals is to be found in the Soviet Union, which supplies about 80 percent of its CEMA partners' import demand for crude oil and petroleum products, and an even larger proportion in the case of natural gas and iron ore. In addition, the Soviet Union is exporting petroleum, natural gas and several other mineral raw materials to the world market as well. The Soviet Union's CEMA partners are supplying from domestic demand 70 to 75 percent of their energy demand ([3], page 223).

West Europe's industry is dependent to an exceptional extent on the Near East and Africa for its petroleum, respectively on Africa for chromium, manganese, platinum, cobalt, copper and vanadium. In the mid-1970's, the United States was highly dependent on import for 68 of the 95 raw materials that developed

modern industry needs, and the entire consumption of 15 materials (diamonds, bismuth, cobalt, tin, mica, etc.) was supplied entirely from import ([2], p 9).

In the opinion of many Western experts, any shortage of petroleum, natural gas or coal would have dramatic consequences for the industrial powers of the West. But the same can be said also in the case of platinum, cobalt, tin, chromium, aluminum, copper, silver, nickel and tungsten ([2], p 10). In this context we should note in any event that the Soviet Union is one of the few exporters of platinum metal, gold and manganese to the world market.

Dependence of the United States, Western Europe and Japan on imports of raw materials and fuels increased in the postwar period not only because of the paucity or depletion of mineral deposits, but also because of the rapid rise of consumption and production costs. So far the rationalization of consumption, and technical innovation that has been directed especially toward the substitution of the metals and minerals in short supply, respectively toward the more complete utilization of domestic resources, have been unable to arrest the growth of this dependence. If we add to all this the increasing price relatives of mineral raw materials (and of petroleum in particular), and the panicky forecasts predicting the depletion in the near future of several natural resources, then it becomes understandable why the supply of raw materials is one of the most serious problems of the Western economies. The success of the management of raw materials is likewise inseparable from the situation of the world economy.

The threatening raw-material and energy crisis has not ceased, although its intensity has been blunted somewhat. The struggle for access to the markets for mineral raw materials is intensifying. Some prominent Western strategists believe that the "undisturbed influx" of these resources from the developing countries must be ensured "in spite of everything," due to the depletion of domestic resources and in order to preserve the accustomed way of life [4].

But today it is no longer possible to rely on the success of solutions involving the use of force. We can find a way out of the constantly growing difficulties only through the voluntary, equal and mutually advantageous cooperation by all the groups of various countries, through the coordination of their economic strategies. A noteworthy example of this is specifically CEMA cooperation that is based on the coordination of long-range national economic plans.

The more complicated world energy and raw-material situation has increased the interest of the industrially developed European capitalist countries in diversifying the import of energy sources by, among other things, importing from the CEMA countries. The prospects are favorable, for example, for importing natural gas from the Soviet Union and coal from Poland. The West's interest in the new, promising deposits of raw materials and fuels, and the CEMA countries' need to import modern equipment and technology create favorable conditions for all this.

No less acute are the environmental problems confronting mankind; the problem of making the fruits of technological progress available to every nation; the war on serious diseases; and sensible utilization of the resources that can be

recovered from the world oceans. The course of events has demonstrated that mankind is unable to cope with these problems without closer cooperation among countries.

Therefore the view is increasingly gaining general acceptance that the future of the world's nations is linked to an increase of their mutual economic dependence, to the internationalization of the economy ([5], p XIX and [6], pp 22-23). Marxism, incidentally, has recognized this truth long ago but draws from it quite different political conclusions than bourgeois science does.

Socialist science and, within it, Soviet science regard the internationalization of the economy and the mutual dependence as the broad path that leads to the productive forces' development, and to peace and cooperation among peoples. Therefore socialist diplomacy is promoting the extensive and comprehensive development of economic relations among nations, including in this countries with different socioeconomic systems on the basis of equality, national sovereignty, mutual advantages and the renouncing of discrimination, seeking the consistent and just transformation of the economic order on a democratic foundation. These principles were proclaimed way back in the first days of the establishment of Soviet power. At present they are spelled out in the peace programs that the 24th to 26th CPSU Congresses adopted, and in the activity of CEMA. These same principles are reflected also in the Helsinki Final Document, and in many United Nations resolutions and recommendations.

From the fact of mutual economic dependence the West draws political conclusions that often evoke incomprehension and concern. Many politicians fail to combine the growing mutual dependence with the need to recognize that every state in the world is equal, with the democratization of international relations. To the contrary, they are placing emphasis on the use of force in international relations, wishing to maintain the developing countries' economic exploitation, although by methods more flexible and refined than in the past. In difficult times they resort increasingly to a "beggar thy neighbor" policy, in order to preserve their own advantage [7]. In other words, there are attempts to replace objectively growing mutual dependence with onesided dependence on the leading imperialist power, with the old system of privileges and political and economic domination. Influential circles in the West do not accept practically for this reason the concept of a new international economic order.

However, the objective logic of developing the international division of labor cannot be subordinated with impunity to the logic of military and political rivalry, and the world market cannot be made the site of trade expansion and economic wars. Did not the efforts to isolate socialism within the world economy, to draw a technological cordon around the socialist countries, and to place them under a credit blockade, fail in the end specifically because all this was incompatible with the objective economic laws? Is this not why relations based on exploitation within the world economy must sooner or later yield their place to relations of real partnership?

World Economy's Most Important Structural Changes

In today's world important changes are taking place in the structure and geographic distribution of production, in its technology base, and in the balance

of economic and political power. To a decisive extent these changes determine in advance what the future world economy will look like.

The socialist countries' share of world industrial production has increased and may now be estimated at more than a third, although their share of world trade has not kept pace with this increase. The developing countries' share of world industrial production is about 9 percent at present, and their share of world export shows a declining trend (24 percent in 1960, and 20 percent in 1970) when calculated realistically, i.e., disregarding the rise of oil prices ([8], p 116).

Whereas before the war trade between the developed countries and the colonies (the present developing countries) was the dominant, since the war mutual trade among the developed Western countries has shown the most dynamic growth: such trade now accounts for about 60 percent of their foreign-trade turnover.

In the postwar years significant shifts were noticeable in the economic and export potentials of the United States, Western Europe and Japan. For this reason the monocentrism that could be observed in the capitalist world economy in the first years after the war has been replaced by competition among the three comparable centers of the Western world's economic power.

The world economy, now comprising some 160 independent states, is becoming increasingly polycentric ([1], p 44). More and more countries freed from colonial dependence are gaining the political, economic and export potential to assume a more or less perceptible role in the world economy. The very fact that today so many countries and economic forces are mutually influencing one another represents an important structural change in the world economy.

The most conspicuous changes are taking place in science and technology, and they are not without consequences in the world economy. Electronics, new materials, nuclear power, robots and manipulators, space technology and jet aircraft, highly sensitive and accurate control and measuring instruments, biotechnology and other types of science-intensive technology are revolutionizing production, ensure a high level of labor productivity and offer vast possibilities for improving man's welfare. Software, the most complicated product of creative scientific and technical activity that at the same time is capital- and labor-intensive, is assuming a very important role.

While in the capitalist world the production and export of software are concentrated in the leading powers--the United States, Japan, the Federal Republic of Germany, the United Kingdom and France--many of the less complicated traditional branches of production, and sometimes even the ailing and polluting sectors, are being shifted to the periphery, and within it to developing countries. Such branches and sectors are the textile industry, the sectors of the fuel and power complex, metallurgy, the chemical industry, the monotonous assembly of engineering and electronic products, etc. The indications are that by 1990 the developing countries' share of world export will be 36 to 38 percent for ready-made clothing, 80 percent for textiles, 25 to 27 percent for leather-industry goods and footwear, and 7 to 10 percent for general metal goods ([1], p 58).

Regrettably, the process of transferring a proportion of the developed capitalist countries' production capacities to the developing countries is proceeding haphazardly, without regard for the developing countries' basic interests. It is based on the decisions of multinational corporations, without any cooperation between the governments concerned. Therefore the structural shifts ("re-industrialization") that can be observed in the economies of the developed countries, and the changes taking place in the economies of the developing countries are not interrelated in any way. This hampers sensible division of labor, leaves its development to the arbitrariness of market forces, and reinforces the "new protectionism" ([9], p 7).

Naturally, it is mankind's universal right to strive to realize scientific and technological progress. For the time being, however, the fruits of the revolution in science and technology are distributed unevenly. The ever-greater concentration of modern scientific and technological potential increasingly in the developed capitalist countries ensures ever-greater advantages for them. The brain drain from the developing countries is assuming significant proportions and further reinforces the tendency of a few Western countries to expropriate one-sidedly the fundamental results of research and development.

In the interest of society's each individual member and entire mankind, socialism removes the social barriers to the effective spreading of the achievements of progress in research and development. The member nations of CEMA have attained significant results in the solution of great scientific and technological problems, and their mutual cooperation has contributed decisively toward these results. In this area, however, unsolved questions still remain: the research and development base in some countries is limited and not specialized adequately, the national and integrational mechanisms of research and development are incomplete, the available resources are being dissipated, etc. The community's general technological level reflects these unsolved questions. Within CEMA the realization of many programs is now underway to institute the important favorable changes that are necessary in the research and development base.

Development of the world economy's infrastructure--of transportation, telecommunications, information processing and storage, financial services and banks, the stock and commodity markets--is again not at all the best. The structural changes that can be observed in this area are leading to the infrastructure's ever-greater concentration in the hands of the West. The multinational corporations that monopolize these intermediate functions of commodity trade to a much greater extent are thereby gaining exceptional power, at the expense of both producers and consumers, and of the producers in developing countries in particular. Many authors estimate that these monopolies control more than half of world trade, sell more than 70 percent of the unfinished products and also a substantial proportion of the developing countries' finished products.

The changes that have taken place in the world economy so far have reinforced the conflicting nature of development. Obviously the world economy's mechanism does not suit the present situation.

Causes of International Conflicts, Possibilities of Ending Them

The only way to characterize the present state of the capitalist world economy is to say that it is in a crisis. Mankind has been confronted with an explosive mixture of national and international crisis factors that threaten mankind with unprecedented trials and tribulations. In the industrially developed countries of the West the army of the unemployed numbers 33 million, 10 percent of the able-bodied population of work age.

The capitalist economy's cyclic crises are interwoven with structural ones. The recession experienced in the major capitalist countries extends also to international trade. (The trade turnover's annual growth rate declined from 6.5 percent a year in 1976-1979 to 1.5 percent in 1980, then to zero, and turned negative in 1982-1983. The 1982 volume corresponds to the 1979 level [11].)

Inflation extended beyond national borders and spread to world trade. Changes of the price ratios intensified the balance-of-payments problems of most developing and many Western countries, adding to the uncertainty of the world monetary and credit system.

The nonrenewable natural resources, our biological wealth, are being looted due to the uncontrollability and greed of the multinational corporations and acquisitive national enterprises, rather than to the high level of technology and the huge scale of industrial production. The interests of future generations are being sacrificed for present advantages.

The unending arms race multiplies many times the danger of the environment's destruction. This is how we should interpret the words of Willy Brandt who said: "We are arming ourselves to death, even if in the course of this we do not fight any war. Death will result from the overexpansion of our economy and from criminal indifference toward providing for the future" [12]. Incidentally, the role that the economically strongest country in the world is playing in the arms race is well known.

The present recession, the deepest one in the postwar period, originated in the developed capitalist countries, but it has dealt the most severe blow to the developing countries. Mutual economic dependence has forced them to suffer the diseases of others. Their rate of economic growth has declined considerably, and the number of their unemployed or partially employed amounts to between 400 and 500 million, one-third of their able-bodied population of work age. All this in addition to the fact that their per capita national incomes are merely between one-fortieth to one-seventh of the per capita national income in the developed capitalist countries. The gap between the levels of economic development in the West and in the developing countries, on the basis of synoptic indicators, has become stuck at a ratio of 13:1, and it is not at all certain that this gap has begun to narrow.

The intensifying conflict between the industrialized countries of the West and the developing countries is one of the sharpest contradictions of the world economy. A handful of leading capitalist countries are enjoying the basic advantages of civilization and technological progress, while the costs are borne mainly by the developing countries.

The fact that the prices of fuels and raw materials from the developing countries had been kept for decades at an artificially low level was an essential factor in maintaining the Western powers' rates of economic growth at a high level, in modernizing the management of fuels and raw materials, and in keeping production costs low. The increases of petroleum prices introduced by the member nations of OPEC have not resulted in the necessary readjustment of the terms of trade between the industrial and the developing countries. To the contrary, the countries to suffer from this the most have not been primarily the former, rather the countries belonging in a third group: the petroleum-importing countries of the third world. The industrial powers have offset their losses to a considerable extent by continuously raising the prices of the commodities they ship to the developing countries, and also by lending them at artificially high interest rates the petrodollars accumulating in Western banks and by keeping the exchange rate of the dollar high.

The international monetary mechanisms have become instruments for redistributing among the rich countries the incomes generated in the world economy.

Price ratios that are unfavorable to the countries outside OPEC have led to huge balance-of-payments deficits in their foreign trade. This total deficit increased from 24 billion dollars in 1974 to 77.5 billion in 1982 [13].

The foreign capital flowing into the economies of the developing countries has become the most important instrument of their exploitation. (Merely the direct investment by the West in these countries is now more than 100 billion dollars.) Foreign capital controls a substantial proportion of the young countries' industrial production and export ([14], p 135). The strongest positions in this respect are held by multinational corporations, primarily American ones. The scale and mode of their operations are such that they influence not only the economies of the developing countries, but often also their domestic politics and international orientation.

The multinational corporations' capital investments in developing countries continue to yield high profits. According to the data at our disposal, every dollar they had invested in developing countries gave the multinational corporations a return of 2.20 dollars in 1970-1980. In 1970-1979, the American multinational corporations alone invested 11.4 billion dollars in countries of the third world, while during the same period they withdrew from these countries 48.7 billion dollars of profit on their investments [15].

The imbalance of international trade, which has intensified particularly in relations between the developed capitalist countries and the countries of the third world (but is typical of the foreign trade of many other countries as well), is perhaps the principal cause of the crisis in monetary and financial relations. But a contributing factor has been the chronic inflation spreading to the world market, respectively the dependence of the international clearing system on the national currency of the United States, respectively on the peculiarities of that country's monetary policies. Further intensification of the situation threatens to completely disintegrate the present capitalist monetary and financial system.

Not so long ago, amidst the abundance of eurodollars and petrodollars that was almost unimaginable up to the oil price shocks, a fierce struggle began among the European commercial banks. Outbidding one another, they strived to make loans to the developing countries, particularly to the relatively more developed countries of Latin America and to a few socialist countries. By the end of 1982, the foreign indebtedness of the developing countries reached an astronomical total of 626 billion dollars ([16], p 12). That same year, the servicing of their foreign debt absorbed 45 percent of the developing countries' proceeds from their export of goods and services. In the opinion of many experts, these figures foreshadow the danger of the international monetary system's collapse. The debtor nations are unable to earn enough to meet their current obligations. This situation will continue at least until the world economy recovers from the recession, and most likely for some time after that as well ([17], p 48).

The developing countries' response to the threatening proportions of their indebtedness has basically been limited to the curtailment of domestic consumption and import, and to efforts to expand export, but which are not succeeding amidst the declining fuel and raw-material prices and the general rise of protectionism. The economization measures that accompany the curtailment of import make themselves sadly felt in economic growth, and consequently in the export possibilities of the debtor nations.

A no less dangerous situation arises also for the creditor nations. After all, the developing countries account for more than 40 percent of the industrialized Western countries' export, and for about a third of American export. In the case of the United States, this is more than its combined export to the EEC and Japan [17]. The creditors cannot let the debtors go bankrupt because this would not only trigger bank failures, but also a worsening of their declining production. Western politicians are increasingly disturbed by the possibility that "in the final outcome the debtor crisis could lead to the emergence of radical anti-Western governments," in which case the political problems would overshadow the monetary ones [17].

Therefore the West is planning large-scale "rescue operations." The measures to be adopted can at best merely postpone the inevitable crisis but are unable to prevent it, because they do not provide at all for opening up the creditor nations' markets to the debtor nations' goods, nor for a rearrangement of the world economy's mechanisms that would end the developing countries' economic exploitation.

The conflict-ridden nature of the world economy's development can be explained to a large extent by the intensification of the arms race. Never before has the incompatibility of the arms race and of the world economy's normal functioning been so obvious. According to the estimates at our disposal, in 1982 alone the world spent more than 600 billion dollars on arms [12]. This total is comparable in magnitude to the external debt that the developing countries accumulated over the years, and it indicates the gigantic scale on which the most valuable material and intellectual resources are being diverted from productive use.

In response to the tensions provoked by the military policies of the most reactionary Western circles, and by their efforts of these circles to protect their neocolonial interests in the third world, and also as a result of the developing countries' internal contradictions, these countries too are increasingly joining the arms race. More than 30 of them are also arms manufacturers. In 1980 the developing countries alone imported 20 billion dollars' worth of arms, and the share of arms in world trade is growing ([18], p 8).

The accumulation of arms in the world is continuing, although the existing stockpiles are several times more than sufficient to annihilate entire mankind. This places a heavy burden not only on the individual national economies, but on the entire world economy as well. It is essential to relax international tensions, and to conclude agreements for restricting and reducing the stocks of weapons, in order to let every country share in the advantages of the international division of labor and cooperation, and to cope with the worldwide economic problems.

It is adventuristic to count on exhausting your opponent economically through an arms race, trade sanctions and an embargo. Adventuristic because it leads to an explosive situation that threatens entire mankind with destruction. Such a situation is intolerable also because of the modern world's mutual economic dependence, as a result of which the developed system of mutually advantageous relations with the socialist countries cannot be scrapped with impunity, without their suffering losses themselves.

The socialist countries are participating in the world economy amidst economic competition and struggle between the two different systems. This is the objective form of the coexistence of socialism and capitalism. But it would be unwise to change coexistence and competition into an economic war that some in the West would like so much to force on the socialist countries.

Today the business relations of these countries with the nonsocialist world can not be regarded as entirely orderly. The world economic recession is influencing these relations unfavorably. Naturally, their system of economic planning isolates the socialist countries from the spontaneous phenomena that prevail in the world economy. But not even these countries can be entirely insensitive to the state of the world economy. Its state at present is hampering the export of raw materials, food and finished products to Western markets and is making debt servicing more difficult. The recession is creating a general situation that provides fertile ground for provocations by certain Western circles against the countries of socialism. In their relations with the nonsocialist world these countries are losing annually tens and even hundreds of million dollars due to their unfavorable terms of trade, excessively high interest rates, depreciation of the capitalist currencies, protectionism, and the West's discriminatory trade and credit policies. The restrictions on the acquisition of the latest technology and equipment also violate their interests to a certain extent. All this makes itself felt in the CEMA countries, the more so because many of them are coping with the particular problems associated with a changeover from the extensive to the intensive type of economic development. This is why the socialist countries are advocating the normalization of the world economy's general situation, and within it the normalization of East-West relations.

There are unquestionably many causes of the world economy's recession, and among them we can single out the arms race, and the primitive concepts of economic policy borrowed from early capitalism. But if we were asked to name the most essential cause, then--in my opinion--primarily relations based on exploitation, and the greedy behavior of the capitalist countries and multinational corporations are to be blamed for the world community's economic difficulties.

The state of the socialist world and its constructive foreign and domestic economic policies are having a beneficial effect on relations within the world economy, as this is illustrated by examples of solving some of the most difficult problems. In the period 1970-1982, the CEMA countries' combined national income increased 1.7-fold, while that of the EEC countries increased 1.3-fold. This difference in growth rates stems from the planned nature of the socialist economies [19]. For the time being, however, the socialist countries' share of world trade is relatively low (approximately 10 percent), while the share of trade between the socialist and the nonsocialist world does not exceed 4 percent [20].

A stable world economy--in other words, constructive and mutually advantageous economic relations among all countries, regardless of their social systems--is in the interest of the socialist countries. They start out from this standpoint when shaping their attitudes to their participation in the world economy and to the solution of the world economy's difficult problems. It is time to recognize that any viable system of the world economy today would be meaningless without the socialist countries' constructive participation, without taking into consideration their interests and experience in every area: in trade, industrial and R & D cooperation, and monetary and financial relations.

It is hardly possible to find anyone with an effective remedy for the serious ailments plaguing the capitalist economy. Such a remedy would obviously require essential changes in the socioeconomic relations within and among the individual countries. But numerous political and economic structures are retaining their conservatism. Consequently also the causes of recession will remain.

The drive launched for a new economic order will create the prospects of the world economy's democratization and of alleviating many conflicts. However, the requirements of this new order are encountering stiff opposition. On the one hand, mutual understanding is lacking, but there is selfishness and also excessive demands. On the other hand, those who find preservation of the status quo suitable have enormous technological, economic, military and political power.

It is not difficult to foresee that in a world divided into two different socioeconomic systems, and into two groups of countries differing in their levels of economic development, the struggle will continue for worldwide cooperation based on complete equality and mutual advantages, and on the elimination of any discrimination or exploitation by one country against another. In the course of this struggle, the following will have to be ensured:

--The socialist system's complete equality in international economic relations, and due consideration of socialism's interests and experience in the regulation and transformation of these relations;

--Consideration of the particular needs and interests of the liberated countries within the framework of their economic decolonization and processes of their development; and

--Consideration and coordination of the economic interests of the industrially developed large, medium and small capitalist countries.

With the coordination of their five-year national economic plans and economic cooperation within CEMA on the principles of equality and comradely solidarity, and with their cooperation with the developing countries that is free of one-sided advantages and aims to contribute toward strengthening the national economies of these countries, the socialist countries are providing an example of the international economic relations that will be possible in the future.

Edifying in this respect is how the UNCTAD Secretariat views the experience of the CEMA countries with cooperation. A report submitted at the 6th session of this organization states: "The coordinated economic interaction of the socialist countries' national economic complexes has ensured reliable markets for them, has significantly reduced the unfavorable effects of external factors, and has enhanced the dynamic growth of mutual trade among the CEMA countries. This mutual trade is a plan-conforming and constant element of their trade turnover. Trade within CEMA now accounts for about 50 percent of the member nations' total commodity trade" ([21], p 7).

Mutual trade among the CEMA countries increased by 30 percent in 1976-1980, and by 10 percent in 1979-1982. It is typical that these growth rates occurred while the volume of capitalist world trade was declining.

The aforementioned UNCTAD report notes that trade between the socialist and the developing countries remains one of the most dynamic components of international trade. The developing countries' share of the CEMA countries' trade turnover increased from 14.2 percent in 1976 to 18.1 percent in 1981 ([21], p 48). By intensifying their economic and scientific-technical cooperation with the developing countries, the CEMA countries are striving to create a solid foundation for a mutually advantageous division of labor. This is why the socialist countries are providing extensive economic assistance for the developing countries in the form of credits on favorable conditions (the proportion of such credits reached 50 percent in 1978-1980), by helping to train their experts, by transferring advanced technology on mutually advantageous terms, etc. The total volume of economic assistance that the Soviet Union provided the developing countries in 1976-1980, after deducting other payments in conjunction with credits and aid of this type, was about 30 billion rubles (44 billion dollars). In comparison with the Soviet Union's gross national product, net economic assistance of this type amounts to approximately 1 percent a year. (To 0.9 percent in 1976, and 1.3 percent in 1981 [22].)

Since the recession that will intensify if the old mechanisms of the world economy are retained threatens to block completely the world economy's blood circulation, the CEMA countries--as evident from their collective statements--are advocating the regulation of the world economy's most acute problems within the framework of negotiations on a world scale.

They have adopted a constructive standpoint on the questions of implementing the proposals contained in the second basket of the Helsinki Conference. In view of the international nature of progress in research and development, the CEMA countries are interested in scientific and technical cooperation with the West on the basis of equal rights, and in mutual expansion of access to high technologies. But the capitalist countries that are in the lead in certain areas of research and development want to utilize their position not only to gain economic advantages, but also to exert political pressure on the socialist and other countries. This is typical particularly of the United States and several other NATO countries. As examples we can cite the following: the restrictions that the United States has introduced, and many Western countries are supporting, on exports of computer hardware, oil-industry equipment and other technical means to the Soviet Union; and the efforts of these countries to broaden their bans on the export of high-tech equipment to the socialist countries and to make the system of discriminatory measures international.

While strengthening their own collective technical, economic and technological potential, the CEMA countries are not striving at all to isolate themselves from the rest of the world in the sphere of science and technology, where exchange and mutual relations are objectively indispensable. The point is that we must be sufficiently strong in vital areas of scientific and technological progress and, if necessary, we must be able to resist blackmail and pressure.

While increasing the economic, scientific and technical potential of its participants, integration within CEMA also expands the possibilities of stable and long-term trade and economic relations with the developing countries as well as with the developed capitalist countries, on the principles of equality and mutual advantages. As numerous facts prove, the socialist countries' external economic relations are becoming increasingly a stabilizing element of the world economy.

When protectionism is spreading in world trade and the pressure exerted on the competition often exceeds the limits of general practice, the joint elaboration of confidence measures among the countries, in the same way this is being done in the political sphere, is very timely. For example, there could be preliminary consultations among the interested countries in cases when individual countries want to adopt trade, economic, monetary or financial measures that might harm the normal functioning of the world economy. It would be useful to elaborate on democratic principles a reform of the international monetary system, to legally define and normalize relations between the two largest integration groups: CEMA and the EEC.

In spite of all the differences between the social systems and interests, we must seek jointly the optimal solutions for regulating the world community's economic life, establishing more favorable conditions for trade, introducing the changes that have become timely in the structure of production and world trade, and for utilizing efficiently mankind's production capacities, manpower reserves, and available raw materials and sources of energy.

Naturally, this requires peaceful conditions, a return in East-West relations to the policy of detente and mutually advantageous cooperation, and an end to threats of war, the arms race, and the process of militarization that is

bearing down on the world economy with unprecedented force. Real progress in this area is a primary objective of the Soviet Union's foreign policy. The latest Soviet initiatives to drastically reduce the danger of military confrontation in Europe and on a world scale make it possible to find the reasonable compromises necessary to solve the key problem in today's world: the preservation and strengthening of peace.

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1014
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IMPORTANCE OF DIFFERENTIATED INCOME STRESSED

Prague HOSPODARSKE NOVINY in Czech 21 Oct 83 p 3

[Article by Eng Ludmila Jordanova, CSc, Advanced School of Policy, CPCZ Central Committee, Prague: "Direction of Motivation--Economic Aktiv Seminar on the Material and Morale Stimulation of Labor"]

[Text] Socialism is the first to develop a base that would give workers a stake in their own earnings as well as in making a maximum contribution to the enterprise for the production of national income. Meantime, however, this process, which is influenced by economic, social and political factors, is not automatic. Consequently, an important role in increasing labor productivity, conservation and accelerating research and development devolves on properly selected material and morale incentives to work.

Economic incentives, through material interests, elicit definite behavior and initiative in specific economic activity. Under the existing high degree of collectivization of labor and with constant improvements in economic mechanisms, connecting links are developed between the interests of individuals and those of society at large. In this way conditions are forming to assure the dynamic and efficient development of the socialist economy. Such economic specifics as prices, profits, wages, taxes, credit terms, etc., can operate as material stimuli if properly determined and applied in a planned way.

The goal of morale incentives is to stimulate the development of initiative through various forms of socialist competition (movements of socialist labor brigades, comprehensive efficiency brigades, etc.) and to reinforce labor discipline and develop mutual cooperative relations.

Higher Wages for Better Performance

The basic form of personal material incentive is the wage whose economic function in the replacement process is internally linked with the inter-relationship of the use of material and morale stimuli.

The stimulating effect of wages depends on whether their amount corresponds to the quantity, quality and societal importance of labor. The proper application of this principle acts not only as a material but also as a morale stimulus.

Under the conditions of building a developed socialist society the principle of merit becomes one of the basic problems of wage policy. By its consistent promulgation the social and economic status of every worker should fully depend on his contribution to society and at the same time the material stimulation should be linked to economic accountability and recourse. If we achieve a direct relationship between the amount of wages and the actual results of labor we will have established the conditions for overcoming egalitarianism, which has a negative impact on the development of people's involvement and psychology. The results undermine the material motivation and morale incentive of individuals regarding the results of societal labor and impede the mobilization of creative forces.

At the recent statewide aktiv on implementation of the results of the CPCZ Central Committee and CSSR Government and on the current status of the national economy with regard to meeting the goals of the Seventh 5-Year Plan and implementing the 1983 plan, it was determined in this connection that harmful conformity still persists. As a rule, all workers share in any wage increases even though only part of them contributed toward improved results. The socialist approach to wages has not been overcome--any earnings level achieved is considered permanent, even though results are worse and goals are not met. Discussions show that most management personnel do not observe the principle that wages of production workers may be raised only in cases of demonstrably increased output, quality improvement and efficiency.

The problem of egalitarianism, the attempt to give equal compensation for unequal labor, is thus still with us. This is partly because so far not all sectors have set up exact procedures and standards and the correct principles of wage and pay policies have not been adequately implemented. Very often there is apparent protectionism, efforts to keep peace and avoid any conflicts. Such an atmosphere, however, should be avoided by all possible means.

Egalitarian tendencies can be avoided if the national economy were to systematically adopt a practice of wage differentiation which would:

--specifically distinguish among socialist enterprises according to their final economic results and individual workers according to the demands of their work, responsibility and their individual work results;

--effectively support higher qualification and technical organizational standards of production, quality and cost consciousness;

--be consistent with the requirements of the development of the national economy and help make more efficient use of systematic distribution of the labor force.

Specific provisions of the wage policy depend on the gradual implementation of the program for increased economic effectiveness of the wage system which

was worked out as an integral component of the Set of Measures. In particular, this calls for reaching the goals in the development of a standards base for labor and forms of wage incentives.

The Condition Is Quality of Standards

As emphasized at the Eighth Plenum of the CPCZ Central Committee and the statewide aktiv, the base of technical-managerial standards is meanwhile being improved and extended in an inconsistent manner. For example, in 1982 only 31 percent of the indicators for consumption of raw materials, materials and fuel and energy were made stiffer, 55 percent remained unchanged and 14 percent of the indicators were actually relaxed. The situation is similar in other sectors, too. Therefore, it is imperative for all enterprises to prepare and consistently carry out programs for improving the standards base and developing the necessary organizational and cadre conditions for it.

The most sensitive area from the point of view of remuneration is upgrading the standards of the use of labor. The process for making them objective does not follow the growth of labor intensity but expresses the natural increase in the technical, technological and organizational level of production as essential conditions for the growth of societal productivity of labor and the fulfillment of economic and social goals.

Without improving the standards base it is impossible to provide at the same time for the higher motivational effect of wage forms which would support:

- direct individual performance of workers expressed by specific indicators in the system of daily, piecework, mixed and proportional wages, bonuses and merit awards;
- long-term development of personal skills by means of personal evaluations;
- the collectives' interest in overall efficiency and quality of labor through the sharing of economic results;
- greater enforcement of central administrative documents which specify directing monetary incentives to key groups of workers and basic regulations for the use of wage forms.

The selection of individual wage forms is determined by economic factors: partly the working and production conditions and partly the economic function of wages facilitating the solution of specific tasks of economic operations. The piecework wage is suitable in serial production because it helps differentiate remuneration in accordance with the amount of use value produced and stimulates higher performance. It is especially useful in those cases where the worker directly influences his output. On the other hand, daily wages are paid for jobs where the procedure and amount of work done cannot be reliably determined (maintenance, general repairs, developmental workplace, etc.), or where the worker's output depends on the operation of industrial production facilities. The table below indicates the distribution of individual wage forms.

TABLE

Composition of Workers' Wages in Industrial Enterprises of the CSSR

Wage Composition	1975	1979	1980	1981
Piecework pay	33.7	30.3	29.6	29.5
Daily wage	35.1	32.8	32.0	31.8
Personal evaluation	0.6	1.9	2.1	2.3
Extra pay for overtime work and holiday pay	1.6	1.7	1.8	1.6
Supplementary pay for changes in working conditions	0.2	0.2	0.3	-
Supplementary pay for difficult working environment	0.8	0.7	0.9	0.9
Extra pay for group leader	0.2	0.2	0.2	-
Extra pay for night shift work	0.8	0.7	0.7	0.7
Other extra and supplementary pay and compensation	10.7	11.9	12.4	12.1
Total basic wages, including extra pay and compensation	83.7	80.5	80.0	78.9
Bonuses and rewards	14.6	17.1	17.7	19.6
Shares in economic results	1.7	2.4	2.3	1.5

A Matter for the Whole Collective

A very effective form, which applies the Set of Measures to the very work site, is the brigade form of organizing and rewarding work. This form of remuneration is in essence khozraschet in the lowest level of societywide cooperation of labor and its implementation is appropriate in view of the existence of more than 200,000 brigades of socialist labor here.

In wage practices it appears that the present method of rewarding and stimulating labor in many cases does not provide enough incentives for individuals and work collectives to increase the efficiency and quality of all their work. Introducing the brigade form has a positive influence on the conduct of the worker in the sense that if he does not complete his tasks he will be in conflict with the head of the enterprise and also with his fellow workers.

His work in the brigade collective is critically evaluated according to merit--good work determines a higher share of the flexible portion of wages, and poorer work gets a smaller share. This method has a stimulating effect on this part of remuneration while raising the efficiency of social production.

The importance of this basic form of collective organization of work and remuneration, which has already been proven in the USSR, depends on the fact that:

--it broadens the independence of the brigade's production activity, extends the mutual responsibility and obligation of the brigade collective and enterprise head for fulfilling the plan, promotes efficient utilization of all resources, etc.;

--it assures active participation of the brigade in assessing the work results of every member of the brigade and in resolving any problems connected with the distribution of collective wages and bonuses;

--the role of the brigade is increased in resolving cadre problems concerning the collective, reinforcing labor discipline, raising qualifications, etc.

The Flexible Wage Component Is Broadened

Systematic improvement in incentive forms of remuneration, bonuses and rewards has an important place in the wage system. More efficient use of bonuses along with other economic incentives ought to bring about closer khozraschet relations in the national economy. The function of bonuses is to encourage workers and collectives to ensure key tasks of research and development, to accelerate the adoption and manufacture of new products and technology and to effect savings of raw materials, materials, etc.

The motivational effect of the incentive component of wages should increase substantially on the basis of the Set of Measures. The goal is to achieve a close relationship of earnings to results obtained by meeting prescribed tasks and thereby also a clear differentiation of wages. The determination of indicators and conditions for granting the incentive pay component is based on obligatory goals of the plan.

At the same time, this will provide rapid and intensive stimulation for key objectives of raising efficiency and quality, especially higher effectiveness of foreign exchange, production and economical consumption of fuels, oil and energy, technological development, raising the quality of products, etc.

The criteria for granting bonuses and rewards to collectives and individuals are determined specifically according to job structure (degree of effect on results) and responsibility. This is necessary so that the system of monetary incentives be interrelated, support fulfillment of key tasks of the plan and provide consistency between the formation of wages payable and the extent of individual wages.

The Eighth Plenum of the CPCZ Central Committee also emphasized the need for broader use of incentive wages and seeing that bonuses and rewards are directly related to final results and effectively motivate workers and enterprises to accelerate the application of research and development results.

The Economic Basis for Stimulating Morale

Under the conditions of building developed socialism the role of the person increases in the process of social production, with ever greater amounts of materialized works available in the form of production facilities. It becomes more and more important for society to recognize the relationship of man to work, of developing a skill, of raising qualifications for efficient use of production facilities and the harmonious development of the human personality.

Making planned use of the link between material and morale stimulation must correspond to the goals of socialist society, certain stages of its economic development and must reflect not only the economic but also the sociopolitical interests of society at large. The practical application and optimal use of material and morale stimulation call for a broad socioeconomic, political and cultural base devoid of any negative features.

One of these is in the area of personal monetary stimulation for instance, "consumer motivation" which tends toward a one-sided and distorted consumer concept of socialism. The degree of collectivization of labor and production is at present forming conditions for qualitatively new stimulation which supplements collective and personal motivation, develops human understanding toward the usefulness of things and gradually removes the old egotistical concept of ownership of something only for the thing itself.

"Consumer motivation" in the transition of communism will lose its negative role in the system of material stimuli and morale stimuli will more and more prevail, the beginnings of which can be seen even today. For example, more than 208,000 collectives with 2.8 million workers were involved in the brigade of socialist labor movement in the CSSR in 1981. In this period more than 20,000 comprehensive efficiency brigades were active. Behind these figures are hidden great possibilities for effective morale stimuli which, along with monetary stimuli, lead to the formation of new attitudes toward labor and enlightened labor discipline.

It is obvious that developing worker initiative and activity depends to a considerable extent on effective motivation, especially by optimal use of monetary and morale stimulation of enterprise workers. Therefore, it is necessary to set up conditions so that the workers of a certain production collective know how they can influence its economic results and thereby also the amount of their reward.

In particular, they must know the scope of their jobs regarding time, range of products, as well as the required quality and individual standards of collection, and with them be able to compare the specific results of their efforts. Some enterprises have already instituted such a system, more or less, but it would be well if it were introduced everywhere to positive influence the activity of workers.

CZECHOSLOVAKIA

COMPUTERIZATION OF INDUSTRY STRESSED

Munich COMPUTERWOCHE in German 29 Jul 83 pp 44

[Article: "CSSR Managers Will Finally Push Data Processing"]

[Text] Vienna--Electronics and microelectronics were recently singled out by Czechoslovak leaders as the branches of industry of greatest importance for the country's overall economic development. Those in authority are now resolved to move these sectors ahead as fast as possible. Accordingly, projected growth through 1985 compared to 1981 for the electronics industry is 80 to 90 percent; for microelectronics, 145 percent.

Through 1990, forced application of electronics in the Czechoslovakian economy will release about 300,000 workers for other jobs, reduce annual electrical consumption by 20 percent and lower labor and material costs significantly. Within the framework of cooperation with the CEMA countries, several mutual arrangements in the area of computer technology are already in effect. Agreements relating to the division of labor in video recorders and microprocessors (8-bit chips) will follow; and preparations for starting production next year will be agreed on, reports the Federal Office for Foreign Trade Information (BfAI) in Cologne.

Usage Below CEMA Level

In the CSSR, only one microprocessor type (8080) is now manufactured. The production of two others is about to start. Increased imports are planned from the USSR (16-bit systems), from the GDR (U-800 system) and from Bulgaria, the (MC-6800 system). Through 1985, the use distribution of microprocessors produced will be as follows: EDP, 40 percent; instrumentation and controls, 22 percent; telecommunications, 20 percent; consumer electronics, 6 percent; maintenance electronics, 4 percent; medical electronics, 3 percent and miscellaneous electronics, 5 percent.

At the same time, a total of 1,560 industrial robots will be manufactured, a quantity which the Czechoslovakian experts see as too low. Due to inadequate capacity and stubborn retention of traditional production methods by Czechoslovak user industries, not much more is possible, it is reported.

In the CSSR, no secret is made of the fact that the country lags behind the international level in electronics research, development and production, even though they say that 60 percent of the products in the world catalog are also manufactured in Czechoslovakia.

In 1979 the Federal Ministry of Electrotechnic Industry was established and charged with the direction of this section (220,000 workers plus 24,000 development personnel). However, production and research still suffer from inadequate coordination. Also, according to available sources, this branch is not well-founded conceptually. Production is distributed among 7 large concerns with 78 subsidiary companies which are served by 3 research institutions. In addition, it is reported that there are many small research groups which work independently of one another.

According to BfAI, information is lacking concerning the country's needs; also, potential users often are not well informed about potential uses of electronics products. A considerable portion of the equipment is obsolete (average age of machines if 16 years), and the supply of spare parts and services leaves something to be desired owing to the often too small production-lot sizes. The Czechoslovak machine builders who would like to incorporate electronic components in their machines complain not only about the price but also about the unsatisfactory technical quality. Finally, electronic specialists are very rare owing to poor training programs and low wages.

Even though EDP could make a place for itself in several areas, for example in statistics, it still has not gained a foothold in the decisionmaking process at upper-management levels. In the past decade, according to BfAI information, about 300 management information systems were installed without getting the overall results desired. This in part is connected with the fact that the approximately 15,000 available programmers have not been successful in integrating the data required for the corresponding management tasks.

Software Problems

On the other hand, experts see greater promise in using computers to automate office procedures, for example, payroll accounting and bookkeeping. In 1981, about 1,500 EDP installations were in use in Czechoslovakia. About 70,000 people are employed in the computer sector in research, manufacturing and applications. The total investment in the computer industry amounts to about Kcs 17 million.

In line with the CEMA agreement, small computers of the ED-1025 type are manufactured in the ZPA works (Cakovice), according to BfAI. The main problem with this type of computer is still a shortage of disk memories. The delays associated with the development of suitable disk storage units was probably the main reason that the modern version of the EC-1025 EDP installation came to market several years late.

In addition to this model, according to the report, about 40 other types of computers of Western and Eastern origin are installed in Czechoslovak computer centers, creating an unsatisfactory hardware and software capability situation in the eyes of experts. In addition, three firms produce small numbers of mini-computers, associated peripherals and software.

GERMAN DEMOCRATIC REPUBLIC

CONSUMER COMPLAINTS FROM LEIPZIG

Empty Storefronts an Eyesore

Leipzig LEIPZIGER VOLKSZEITUNG in German 10 Nov 83 p 12

[Article signed "Your City Reporter"]

[Text] Strolling leisurely along Georg-Schwarz St, one notices all sorts of attractive commercial establishments: from bakery to bookstore, from petshop to the Uhland Cafe. But in between the eyes are sorely tried: shops in which nothing is sold. Just from the beginning of the street up to Ahlfeld St, there are 12 of them. Behind the blank storefronts a warehouse is hidden, and a planning office; or there is nothing at all. They all have one thing in common: they and their fronts are unattractive.

This gets your city reporter going. To the council of City District West. There he can draw a fresh breath. They are acquainted with the problem and are doing something. At present there is a list of 11 totally empty stores in the district which are to be put to use again in the future. In part for commerce, and some adapted for residential use.

And in City District West there has already been some success in the removal of these "blank eyes": a store for hunting equipment in Odermann St, an arts and crafts shop in Demmering St, a repair shop for pocket calculators in Georg-Schwarz St.

Naturally, this does not solve all the problems, and the council members of District West know it. The council can only go on with it, for ugliness very quickly hides beauty. And that would be a very great pity.

Repair Shop Virtually Inaccessible

Leipzig LEIPZIGER VOLKSZEITUNG in German 17 Nov 83 p 16

[Article signed "Your City Reporter"]

[Text] Many citizens have already found out that the repair shop for household gas appliances is no longer on University St, but on Heinrich St (a street

crossing Strasse der Befreiung [Liberation St] and Taeubchenweg). Our reader, Gertrud Petzold, tried to get an appointment there. But the telephone was constantly busy, and repair orders are only accepted on Mondays between 3 and 5 pm, and on Thursdays between 10 and 12 am and 3 to 6 pm. Result: one stands in line before getting an appointment. Your city reporter investigated and found these facts confirmed. If one goes there outside of those business hours, it is not totally in vain--because one can fill out an order form and leave it there--but what good is it if the repair appointment, which arrives 2 or 3 days later, simply does not fit into one's time schedule?

This is only one open question. There are others: Why only 7 hours per week for scheduling repair appointments? Why was the repair shop moved from the center of our town to a street which hardly anyone knows, and to which the customer still has to walk from the nearest streetcar stop?

The maintenance men of the gas appliance service handle about 1,500 orders per week in the customers' apartments, and they do it well. Surely this number will not diminish in the future. But present conditions are increasingly time-consuming for the customer. This can hardly be the intent of an available service!

9917
CSO: 2300/143

GERMAN DEMOCRATIC REPUBLIC

MAKING OPTIMAL USE OF WATER IN INDUSTRY

East Berlin BAUERN-ECHO in German No 170, 21 Jul 83 pp 1-2

[Interview with Dr Hans Reichelt, deputy chairman, Council of Ministers and Minister for Environmental Protection and Water Management]

[Text] [Question] Industrial production is continually rising. Does this mean a continued rise in water requirements by the combines and factories?

[Answer] Rising industrial production must essentially be sustained with the same amount of water use. This means that water requirements in the plants must be lowered in order to take care of the needs of new or enlarged installations or plants, respectively. At present, 62 percent of the total water requirements in the GDR are needed by industry. Until 1985, water use must be maintained at about this level.

According to the directive of the 10th SED Congress on the development of the national economy 1981-1985, it is therefore a must to avoid any wasting of water. Specific water requirements must be lowered by 25 percent, and the use of potable water from the public supply for industrial purposes must be reduced by at least 45 million cubic meters; the absolute water requirements, especially in the highly utilized drainage areas of the Saale, Mulde, Elster, Spree and Havel Rivers must be cut back.

[Question] The efficient use of water is not a new demand. What progress has been made in past years?

[Answer] The most important results are the following: In the past 2 years, water requirements dropped by 8 percent, and absolute requirements, which are especially important, dropped by 3.6 percent. This translates into savings of 181 million cubic meters of water and 15 million kilowatt hours of electric energy. The use of potable water from the public supply for industrial use was reduced by 6.7 million cubic meters. Storage, piping and distribution of this amount of water would have required about 1.8 million Marks for dams and pipelines.

Despite these good overall results, there are still too many discrepancies between water management administrations and the districts. For example, in

the Magdeburg Water Management Administration specific water requirements were lowered by 20 percent during this period. Absolute water use dropped by 1 million m³, and the use of potable water from the public supply for industrial purposes dropped by 1.1 million m³. In districts such as Halle and Dresden, however, with great demands on the water supply, results are inadequate.

[Question] Can you mention ways for industry to make do with less water?

[Answer] At present, seminars on efficient water use are being conducted in all districts. Four thousand participants from industry, water management, construction, agriculture, transportation, health care, science, research and planning are evaluating present results of efficient water use and discussing new tasks. Naturally, an exchange of experiences on the best ways and means takes place. A focal point is the results of plants making exemplary use of water.

On the occasion of this year's "Day of Water Management Workers," 73 industrial and research collectives had this title bestowed on them. They are proof that many reserves can be developed through constant improvement of industrial water use. Primarily, this includes scientifically established standard consumption rates and norms for water use.

In the parent plant of the VEB Petrochemisches Kombinat Schwedt state enterprise, for example, norms for total requirements of production water have been established since 1980. Water recycling has been completely implemented so that only 3.3 percent of water for the cooling cycles have to be replaced with fresh water.

[Question] What role do science and technology play in the efficient use of water?

[Answer] A very large one, since they have to contribute the greatest share to efficient water use. Introduction of water-conserving or waterless technologies and production methods is in demand. For instance, the Luebbenau-Vetschau power plant state enterprise achieved annual production cost savings of 2.3 million Marks due to reuse of water in newly introduced closed cycles, particularly through the conservation of electric energy and reduction in maintenance costs. Whatever innovators, efficiency experts, and the youth collective of the Mfli movement solve primarily tasks in the fields of science and technology, the best results ensue.

Scientists and researchers in the combines bear a great responsibility. An efficient research team is at work in the parent company of the Synthesewerk Schwarzeide, Combine SYS state enterprise. It has successfully carried out practical tasks to ensure the water supply and treatment of waste water. In waste water treatment, ammonia and phosphates are recovered and utilized as nutrients in biological purification plants. This saves materials worth 900,000 Marks annually, and highly purified waste water is delivered to the reservoirs. New methods for the recovery of solvents, water cycling, and new preparation procedures with higher material yield all contribute to economical water use and reduce the amount of waste water.

[Question] What are the next tasks for the 1984 planning preparations?

[Answer] The central point is improved utilization of intensification factors in order to achieve a higher growth rate in production and effectiveness, complying with the standards set at the Sixth Plenum of the SED Central Committee. In this, implementation of efficient water use plays an important role. It is, therefore, important to apply generally and rapidly in all sectors of the economy the advances made in lowering water consumption and water requirements. Greater application of new production procedures, water-conserving technologies, introduction of closed water cycles and modern waste water purification methods must, more than ever, contribute to a reduction in the waste water load, and much more than in the past, to the recovery of materials. All tasks and plans must be incorporated into the planning on efficient water use and must be thoroughly talked over with the workers during plan discussions.

9917

CSO: 2300/131

COLLECTION, USES OF SCRAP METALS

Halle FREIHEIT in German 26 Oct 83 p 5

[Interview with Alfred Kolodniak, general director, Combine for Metal Processing: "600 Railroad Cars of Scrap Metal Roll into Steel Works Every Day"]

[Text] [Question] The very name of the combine says a lot. Beyond that, would you please tell us something about its structure and tasks?

[Answer] Our combine is "at home" in practically all of the republic's districts between Suhl and Rostock. We have installations in Halle, Dessau, Leipzig, Swickau, Dresden, Erfurt, Magdeburg, Bradenburg, Eberswalde and Rostock. Under them are about 170 operating units and an estimated 50,000 collecting or discovery points, as we call them. Collected are scrap steel, scrap cast iron and quite a variety of scrap nonferrous metals.

[Question] Let us dwell a while on scrap steel, whose recovery must certainly be one of your most important tasks in economic terms.

[Answer] That is right, for one must bear in mind that 10,000 tons of scrap are used in the steel works of the GDR every day--that is 600 fully loaded railroad cars. Scrap steel, after all, makes up more than 70 percent of the crude steel production of our republic. And there is still another interesting numerical comparison: with 1,000 tons of scrap steel, 2,000 tons of iron ore and 500 tons of coke are saved. Altogether, the costs of using scrap are only one-third as high as in the case of producting using ore.

[Question] How great is the proportion of collected scrap, which essentially comes from social actions and households?

[Answer] It is in the nature of the thing that the enterprises make up the lion's share with their scrap volume. Nevertheless, by no means should the proportion of so-called collected scrap be underestimated. After all, it was approximately 290,000 tons last year.

[Question] One might think that in the case of nonferrous metals, the yield of scrap collected from the population is higher than in the case of scrap steel.

[Answer] It is even substantially higher, indeed four to five times as great. Thus in 1982, its proportion of total scrap in the GDR was 22 percent for scrap lead, 30 percent for scrap aluminum and even 31 percent for scrap zinc.

[Question] Can you say what place the Halle District takes among the republic's districts?

[Answer] After the first 8 months of this year, measured against the planned target, the Halle District is in seventh place in collected scrap. There is certainly a need for further improvement.

[Question] How do you assess the current situation in the plan accomplishment for the Combine for Metal Processing?

[Answer] We have the figures as of the end of September, and they show that we have surpassed the plan in almost all positions. Just to name three: 20,000 tons of steel scrap, 1,200 tons of cast iron scrap and 650 tons of aluminum scrap above the plan were delivered to the steel works.

[Question] In recent times, there has been more and more interest in silver. What is the current situation here?

[Answer] For years, relatively little attention has been given to the problem of recovering silver from x-ray photographs and other film as well as from used fixing baths. Certainly one reason for that is that practical procedures had first to be developed. That has since been accomplished and made effective in practice. Now working in the district are 27 purchasing points of the Combines for Metal Processing and Secondary Raw Materials that are collecting x-ray and other film and fixing baths.

[Question] Is this effort worth while?

[Answer] Absolutely! One must understand that 3 grams of silver can be extracted from 1 liter of used fixing solution and, for example, about 1 kg from a ton of film material. Remember also that in part the prices in the capitalist raw materials markets were driven sky high. And beyond that, it is a compelling demand of economic reason to recover and reuse secondary raw materials when it is at all possible to do so.

[Question] Is that, then, an endless chain or must one, simply stated, count on scrap running out someday?

[Answer] In principle, that will not happen, for as long as there is production, there are also "wastes." Nevertheless, one must differentiate in this question. On the one hand, the efforts of science and technology are going more and more in the direction of closed material flows, whereas on the other hand, the effort in the enterprises is to diminish productive consumption further through greater intensification. Therefore, in addition to the quantitative factors, for us it is a matter of focusing especially on the qualitative factors in the recovery of secondary metallic raw materials.

- [Question] Are there any "white patches" left at all for research in your combine to be concerned with?

[Answer] There are more than enough, for every problem that is solved produces more problems to be solved. Thus our researchers are involved with procedures and systems for the greatest possible extraction of all the metals contained in the scrap, above all alloys and precious metals. Further, we need to mechanize production processes with the aid of specific industrial robots. Finally, there is, among other things, a need for further development of procedures and systems that have already been applied and that in part were licensed to the USSR, Poland and Bulgaria.

The areas and subjects of research have been coordinated for the long term in the framework of the CEMA in close cooperation with the universities and technical schools of our republic, the USSR and the CEMA countries.

9746
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POLICY MUST PROMOTE EFFICIENCY, NATIONAL BENEFITS OF AGRICULTURE

Budapest NEPSZABADSAG in Hungarian 29 Nov 83 p 4

[Article by Erno Csizmadia: "Our Agricultural Policy in the 1980s"]

[Text] While our achievements in the development of agriculture and the villages during the last couple of decades are the results of various factors, they are grounded in the correct agricultural and village policies of our party. One of the important conclusions of our agricultural experiences is that the key to building an effective large-scale farming system is the material and moral reward due to the farmers, who are working in the socialist system, the radical improvement in their lot and the political confidence that results from all this. The MSzMP [Hungarian Socialist Workers Party] took, already at the defeat of the counter-revolution, measures which elicited the confidence of the peasantry.

The MSzMP persisted in its policy also later by proclaiming that the gap between the standard of living and income of industrial workers and peasants must be closed. In the early 1960s, when our large farming enterprises had been organized, the real income of the farmers lagged behind that of the workers by 15-17 percent. Then in the mid and late 1960s, when agricultural production grew significantly, the income of the agricultural cooperatives increased, the gap in question was closed. In the 1970s a change of historic importance has been initiated in the social conditions of the cooperative peasantry, in terms of old age pension, family allowance and sick benefits. At the same time, schooling, adult education and last but not least the training of professionals has been greatly improved.

Another long-term source of the growth of agricultural output was biological and technological modernization, that was started along with setting up of large agricultural units. As a result of all this Hungarian agriculture possesses all the biological, chemical and technological conditions which are required for modern production methods and for meeting the public demand for its products.

Still other important and long-term stimuli for dynamic agricultural development are the introduction of independent management and economic incentives into the farming enterprises. The changes in agricultural management (in planning, economic regulators and organizational system) preceded the general

reform of Hungarian macroeconomic management by a decade. Insofar as the contents of the reform are concerned, entrepreneurial independence was designed to lay the ground for expanded reproduction through significant price increases at various occasions, through a system of subsidies serving both production and development, through a new credit system, through financial regulators which influence both the rise and utilization of the enterprises' income (taxes, the establishment of financial funds and the wage system) and through the regulation of the marketing of produce. A long-term quality and requirement of the development of agricultural development is security in the areas of both production and marketing.

An important factor of balanced business is smooth marketing. Marketing difficulties have often set back the production of some basic food staples for years. Therefore only such areas of production are worthwhile to stimulate in which procurement and marketing are based on the mutual interest of both producers and vendors, and this is the trend that it would be desirable to follow in the development of our foreign trade.

An essential feature and principle of the mechanism of agricultural management is that it greatly promotes entrepreneurial initiative. However it also tries to make the financial stimuli dependent on the economic results and on a thrifty increase in the output. Thus macroeconomic management is bent upon to harmonize public, enterprise and individual interests. In order to do so, a variety of organizational and distribution models are being applied within the enterprises and between them, in agreement with the development levels of the production capacity of each unit. In the beginning family and sharecropper farming was usual, yet recently independent farming units and the divisions of them, which are striving to produce results, and the contractual types of business operations based on fixed payment have become widespread. However the solid basis of Hungarian agricultural achievements is the socialist large enterprise; 92 percent of the arable land is being tilled by socialist large units, and the household plots and ancillary farms are their organizational complements, just as the enterprise partnerships.

Particularly good results have been accomplished by the production systems of the large enterprises and a meaningful role is being played by the household plots in the cooperatives, and the ancillary farms of workers and employees. The latter produce one third of the entire output of our agriculture. Their production on small scale is completed by the large cooperative farms, the state farms and the consumer cooperatives. In the global framework of this cooperation the large units provide the draught animals, the fodder, the mechanic work and other services for the household production system, and the large units are also marketing their produce according to the stipulations of their respective contracts. This diversity and multiplicity are the prime movers of the successes of Hungarian agriculture, and therefore they are expected to survive in the future.

Our homeland's modern agriculture is also basically cooperative farming and therefore agricultural development could not be pursued without a correct cooperative policy. Yet cooperative policy embraces a wider range of issues

than agriculture alone. And also cooperatives are the proper frameworks for the expansion of the central sources of economic development, since relatively large groups of the population are willing to contribute with money, work, and in other ways to the cooperative undertaking of certain activities which will ultimately result in the better and quicker fulfillment of their aspirations.

Cooperatives are tackling, in many instances, indispensable tasks by employing women, handicapped workers, housewives and seasonal workers. All this shows that we can rely on the cooperatives in the building of socialism, not only temporarily in reorganizing handicraft into a large business framework, but also in the long run during the entire period of building progressive socialism. Their presence in the economy is justified by economic rationality and human interest. Hungarian cooperative policy is based on the assumption that social progress in an accomplished socialism requires the strengthening of both state and cooperative property, the multiplication of their common features and the close cooperation of state and cooperative enterprises.

The number of dilemmas in agricultural development will be growing in the 1980s. In order to provide a better supply of food for the population and to increase agricultural exports we will need better financial and technological conditions and should establish better income possibilities. The history of our agriculture so far shows that it can only undertake additional tasks, like those it had tackled during the last couple of years, if we create the best possible conditions for its work. We have to lay the ground for the accomplishments which we will ask from our farmers in the second half of the 1980s right now, lest our plans will remain unfulfilled. This is necessary the more so since in agriculture we have always to reckon within a period of five or six years with poor weather conditions during one or two years. The consequences of such natural disasters might be much more serious in the years of financial unbalance than in those of balanced development. And we should also not forget that the lagging urbanization of the villages and the backwardness of their infrastructure have a retarding effect on the development of farming. It is quite understandable that we are ever more concerned about the fact that, if we do not change our settlement development policy, the backward rural infrastructure might shortly turn into a ballast on the development of our agricultural production.

In the agrarian development of the 1980s the role of agro-commercial and agro-industrial relations has been acquiring more importance and became more multifold. The raising of the levels of domestic food supply and agro-export hinge increasingly on the capacity and organization of the storage, processing and marketing of agricultural produce, as it has been demonstrated by the difficulties in the sale of apples, onions and poultry. In this area progress has been slow. Better results could be obtained if the conditions of food processing development were to improve, these conditions have been even less favorable than those in farming. Insofar as trade is concerned, the system of marketing which has taken root in

agriculture, is still interpolated between producers and consumers in a way that it cannot have a regard for the interests of either the former or the latter, nor can it really satisfy either of them. Thus it only works well when agricultural produce is scarce; in case of a bumper crop the channels of commerce are becoming blocked, although there would be enough merchandise for marketing. The only way toward a good solution would be if we could tighten the contacts between producers and traders on the basis of mutual interests, mutual advantages and risks. Such contacts could be promoted by the development of processing and marketing in the large enterprises and by opening new marketing channels.

Another timely problem of the agro-industrial relations is providing means of production and services to the farmers. Unfortunately, the domestic development of means of production did not keep abreast with the demands of the growing agricultural production. Finally, in last spring a decision was made to grant priority to agricultural demands in industrial development. Moreover, the prices of industrial materials and means of production are absorbing a disproportionately large portion of the gross value of agricultural production. This draws out the existing situation in which modernization in the large farms produces a decline in new values and novel forms of production increases are causing a decrease in income. This could be changed by improvements in productivity, above all if the system of regulators would take into account this objective circumstance. We should have a regard for the fact that intensive production requires growing utilization of industrial resources, materials and energy also in farming, and that, under the present circumstances of Hungarian industrial productivity and in view of the system of regulators in force, this is very expensive. Statistical data and calculations show that Hungarian farming is not more expensive than its West European and American counterparts, which are more intensive than our agriculture. The cost of production of our basic agricultural staples and their producer prices are lower than those of the West, even if we take into account the subsidies. Yet it is clear that under our domestic cost and income conditions and in view of the Hungarian standards of living, our agricultural production is expensive.

In the present economic situation, which has been aggravated by this year's drought, the problem of more efficient enterprise management acquires great importance. This comprises the development of a soil cultivation system that saves energy, the application of crop structures which better utilize the fixed assets and use more productive seeds, thrifty fodder production and storage, cheaper stable construction, proper breeding policies and better animal health standards. For the present situation and for the problems of the years to come good solutions can only be found by coordinated enterprise and government decisions.

12312
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HUNGARY

FOOD, CONSUMER GOODS SUPPLY FOR HOLIDAYS DESCRIBED

Budapest NEPSZAVA in Hungarian 27 Nov 83 pp 1,16

Article: "Supply Secure for the Holidays--Douglas Fir, a Novelty--Tirpak Bread--More Quartz Watches, Fewer Record Players--Not Enough Fish"]

Text More people, more often frequent the stores and markets during the current weeks than during any other period of the year. The country is preparing for the December holidays. How is the supply and what can commerce offer to the population?--We requested answers to these questions from our reporters. Reports were sent by Mihaly Valko from Szolnok megye, by Lajos Nabranyi from Szabolcs-Szatmar, by Maria Hemethy from Vas and by Ibolya Toth from Bekes. The sum of these was that, although supplies are more modest than in previous years, they seem to be dependable and adequate.

Szolnok megye has a well tested practice: in every city and village, the enterprises responsible for supplying the population--the dairy, meat and bread industries--and representatives of commerce are called to a joint meeting, at this time of the year, to formulate a comprehensive plan for supplying goods for the holidays. According to current signs, there can be no scarcity of basic foods anywhere in the megye.

Fir trees will be on sale from early December and, as a novelty, Douglas firs are being marketed for the first time in the megye. It will not drop its needles even at room temperature, has a good shape and its trunk has no needles but is rather velvety. An important point is that the prices are expected to be similar to those of last year.

To ease the crowding in stores, various actions are being organized by commerce even to the extent of leaving the confines of the stores. In the seat of the megye, for instance, the enormous hall of the cultural center is used to organize a market for presents combined with advisory services with the cooperation and help of students from the Trade and Catering Industrial Academy of Szolnok. All over the megye, the individual general consumer and marketing cooperatives are trying to meet the needs of buyers in a similar manner. In the opinion of the

Megye Council section responsible for commercial supply and supply management, the wares offered for this year's holidays are more modest but they will provide for the smooth distribution of basic necessities.

Tirpak bread, grandmother's jams, pork with skin for aspic, lean fish, ducks for crisp roasting. Just a small taster from the many delicacies which could decorate the table of people in Szabolcs-Szatmar around the Christmas time. The Baking Industry Enterprise of Nyiregyhaza will introduce the Tirpak bread for Christmas. Like in old times, the bread is made of rye flour, is kneaded with buttermilk and is flavored with caraway seeds. An ample supply of other basic foods is also expected to be available. As ample supply of ducks, chickens and turkeys is expected to be available in the Nyiregyhaza store of the Balmazujvaros Agricultural Cooperative and in the stores of the Kisvarda Fowl Processing Enterprise.

There will be 10 percent fewer Santa Claus figures offered than last year in the megye. Nevertheless, 9,500 kg of sweet figures are available for purchase by the megye population. The retail Food Enterprise of the megye is planning to market 28,000 kg paper covered fondants.

This year, the commercial management organizations expanded the range of products offered in Szombathely by means of production, direct purchase from industry, and exchanges across the border zone and with department stores. The report of the City Council Executive Committee session included that, caused by import difficulties and export obligations, scarcities can be found among certain groups of products. Thus, among meat products for instance, the supply of fowl will also be satisfactory during the winter while a full choice of beef will not be available because of exports.

Among the pre-Christmas wares, commerce is offering a sufficient amount of father winter figures, paper wrapped fondants and tree ornaments made of chocolate. A rather large delivery of tropical fruits to the stores in Szombathely is scheduled for December. Compared with last year, there will be an 80 percent increase in oranges from Cuba and an unchanged amount is expected to arrive from the Mediterranean. About 30 percent more potatoes, vegetables and fruits are stored in the city and its surroundings by the commercial management organizations. Among clothing supplies, scarcities are expected in men's flannel shirts and winterized cloth raincoats. On the other hand, more sheepskin coats will be marketed than in 1982. With regard to footwear--because of a lack of financial interest on the part of the industry--the supply of less expensive wares will not satisfy the demands either in quantity or in selection. On the other hand, a much wider selection of winter sports equipment will be offered than last year.

The giving of presents is facilitated by an ample selection of toys and, by the end of the year, a rather large amount of quartz watches will also

be marketed. However, in durable consumer goods--which are also bought as presents--such as refrigerators, coolers, washing machines and moderately priced record players, scarcities must be expected at the seat of Vas megye.

In Bekes megye, the proportion of cooperative and council commercial trade is approximately half and half, or rather, the balance is shifted in favor of the cooperatives by a few percent. In addition, the "Zoldert" (vegetable) stores assume a significant part in supplying the population while bread and milk supplies will also be carried by the stores of the four baking industry enterprises located in the megye.

According to Megye Council authorities, the megye can expect a smooth supply of food products. They promise a satisfactory and secure supply of meat, meat products and sausages. An ample supply of spreads and cracklings, corresponding to the demand, is available. On the other hand, a sufficient amount of dry sausage products, such as Csabai sausage and salami, to satisfy demand cannot be expected.

The condiments produced for the father winter holiday have been on the store shelves for two weeks. The megye received somewhat more of them than last year. And even last year's supply was ample because many stores had still offered the chocolate figures even after the father winter and Christmas holidays. As far as selection is concerned, whoever is late in buying the small boots and father winters will only have the more expensive ones to choose from. There are more paper wrapped fondants and edible tree ornaments than last year--if only by a little. Some of these are already in the stores. The stores are also prepared for the holiday menus. For instance, poppy seeds, shelled walnuts and sauerkraut are available. The selection of fishes is unsatisfactory in the megye, not only before the holidays but throughout the year. The buyers are looking for fish from the rivers and there is not enough of those.

In addition to food and drinks, during these weeks considerable sums are spent by people on clothing and industrial goods, on presents. The supplies of the latter are comparable to last year but not as ample as in the preceding year.

2473
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OUTLOOK, PLANS OF MACHINE TOOL INDUSTRY DISCUSSED

Budapest FIGYELO in Hungarian 10 Nov 83 pp 1, 6

[Article by Katalin Bossanyi: "Which Way Is the Barometer Moving?"]

[Text] The machine tool industry is justly called the bread of industry, for every sort of activity has need of it. Today we can with justice use this manufacturing branch as a barometer of the recession; the market tendencies and technical development trends which can be experienced here indicate more strikingly than in any other branch of industry the lasting changes which have taken place in the world economy.

This barometer dropped further last year, and this year also. Gigantic stockpiles of both traditional and modern machine tools piled up in Western Europe and overseas. The prices are falling further--French, FRG and English firms are dropping their prices by 20-30 percent--while capacity goes "unexploited" and a good number of medium enterprises have failed. One must seek the causes not only in the curtailment of investments. It is easy to see that even if the long-awaited upturn takes place its effects will not bring a boom of the old type--as far as the machine tool industry is concerned.

To an increasing extent rationalizing investments are coming to the fore in the place of developments which expand production. The role of automation, of robot technology, is increasing because--despite the increasing unemployment--qualified manpower is ever smaller and more expensive. All this is encouraging the developed machine tool manufacturers to extraordinarily swift technical development, to generational change; in addition to the NC [Numeric Control] and CNC [Computer Numeric Control] controlled machine families we are seeing manufacturing cells or manufacturing islands combined with manipulators and robots or integrated manufacturing lines which coordinate various machines and also organize production. At the Paris EMO this year (a professional exhibit of machine tools held each year) the number one machine tool exporter of the world, the FRG, was forced to admit that the Japanese machine tool manufacturers, incredibly innovative and flexible in technical development, had beaten them on the home track, so that they are now seeking points of contact.

And what are the points of contact for the Hungarian machine tool industry; what are its chances in the competition? Our machine tool industry provides

0.5-0.6 percent of the world production and we are in 23rd place in export. Despite the traditions domestic machine tool manufacture does not have a unique profile--there is no type which only we manufacture--and a following character dominates in developments. The only question is: How far can one go by following? Today, according to our competitors, the domestic firms can be listed in the upper part of the middle field in Europe. Of course, this is true only in general. For example, we occupy a very distinguished position in manufacture of gear grinding machines; we are among the four most recognized manufacturers in the world. The CNC lathes and the larger working centers have a good position, with the market constraint that the demand for valuable, complex equipment has moderated greatly. The reasons for our mediocrity--this also is the opinion of the competition--are to be sought not so much in the backwardness of product development as in the deficiencies of technology, primarily of the background industry and castings manufacture, in the undeveloped nature of micro-electronics and in the scanty services.

Days of Grace

These disadvantages, which today appear virtually insurmountable in many respects, are greatly limiting the freedom of movement of the Hungarian machine tool industry; the paths which can be taken are narrowing as production becomes unjustifiably expensive. These disadvantages become especially sharp in light of the sales difficulties today. It is not by chance that in the West in recent years it was the firms whose conditions and development are similar to ours which were forced to limit production and "draw the shutters."

The domestic machine tool manufacturers have stayed on their feet. But it is true that they are shuffling their feet ever more quickly on a ground becoming increasingly hot. And how the same world market effects can encourage quite different economic behavior is well illustrated by the case of the two most significant domestic manufacturers--the Machine Tool Industry Works and the Csepel Machine Tool Factory.

It is worth looking back to 1980. At that time the Machine Tool Industry Works was at a low point. The reasons were complex. The catch phrase was: The large enterprise is carrying out simultaneously a swift technical and product development change. The goal was good, but realization--got hung up. The 1.2 billion forint development was not realized in a sufficiently concentrated or organized way. Introduction of manufacture of the new products, largely based on capitalist cooperation and purchase of licenses, slipped, and inventories piled up. The introduction of the new producers' prices compounded the chaotic situation; at this time a total of 2 billion in receipts was coupled to the 3 billion in assets at the SZIM [Machine Tool Industry Works], export came to a halt, and profit dwindled to 46 million forints. Since it was clear that the enterprise would not be able to pay off its debts the ATB [State Planning Committee] suspended the payment obligations of the SZIM for 2 years. This grace period was to be used to get its affairs in order. (The conditions--compared to adjustment methods of the time--were a good bit harder. It can be established, with some skepticism,

that in this case the strictness proved to be an effective incentive, for by the end of 1982 the SZIM was "balanced"; every economic index exceeded what was prescribed. While the situation of the Csepel Works and of United Incandescent, discussed at the same time with them--in a good bit more permissive way--continued to waver over the years.)

Improving Profitability

Last year the receipts of the Machine Tool Industry Works exceeded 3 billion and its profit exceeded 300 million. They reduced their assets to 2 billion. They sold two factories--the ones in Balmazujvaros and Ersekvardkert--and made up for the lost capacity with internal production and manpower regroupings. At the same time, they combined their three Budapest factories; this meant reducing the number of employees and freeing tools of production while modernizing production guidance. Nor did the rationalization spare the apparatus of the directorate general. What is more, the reductions began here, they combined functions, reduced the number of leadership steps and increased the independence of the factories. They reduced personnel by 700 persons as a result of the organizational development and they sold 180 machines to other firms. They reduced production costs radically and got rid of their stockpiles. And the result? Today the profitability of the SZIM is 9.7 percent, which is somewhat more favorable than the machine industry average! As a result of the internal adjustments the ATB did not re-examine the situation of the enterprise and they were able to come to an agreement with the MNB [Hungarian National Bank] to pay off their debts by 1985, within the time limit--without rescheduling. What is more, this year they already have free developmental resources. And although the mobilization of reserves which took place at the large enterprise in recent years is certainly worthy of recognition, the speed of the renewal warns that in earlier years a good number of enterprise leadership, organizational and developmental methods probably had not been thought through sufficiently, or if they had been they were not carried out with sufficient consistency.

There is a piquant aftertaste to the improvement in the profitability of the SZIM--the developments, most of which promised to expand convertible export, are being put to use today on other markets. Their capitalist export--15 million dollars per year--stagnated this year in volume and decreased in price level. Seeing the lasting recession, they changed their market tactics. They did not force export to developed capitalist countries at any cost. They had good reasons for this. For the most part they are offering the same things as the local competitors, only somewhat more expensively. And also the capitalist cooperation serving as a foundation for a lasting market presence is coming to an end, because their partners have gone bankrupt. In place of this they are working full steam on "developing" the domestic and socialist market. And this may succeed, in large part because of the--much debated--generational change carried out in recent years. In 1978 the modern NC and CNC controlled machines still made up only 10 percent of the machine tool production of the SZIM; in 1980 they made up 64 percent and this year they exceed 80 percent. (They are gradually phasing out manufacture of traditional machines. Supplying them is being solved with a multi-step Yugoslav cooperation; simple machine tools--still needed in

maintenance shops and small organizations--are imported in exchange for modern machines, and they provide domestic service for the imported machines also.) In regard to its pace this can be regarded as an extraordinary product switch over, although it did not reap market successes in the place originally hoped for. Numerical control won its place a good bit earlier in the competing capitalist firms--at the beginning of the 1970's--and our control equipment can be sold in very few developed capitalist countries. At the same time, the world trend--this was proven by the developments of the recession years themselves--is moving ever more strongly in the direction of NC usage. Thus the fact that domestic manufacturers "drew a card" in the middle or late 1970's is already tangibly moderating their developmental phase today.

More Productive--But More Expensive

The other debated point of the SZIM conception was series size. Many accused them of megalomania, saying that the manufacture of 700-800 NC, CNC controlled machine tools per year would make the production structure very one-sided. But it is just this ratio at which the NC machines become reliably more economical! The specific expenditures decrease and manufacture increasingly takes on an assembly character; productivity and profitability increase also. (Our background industry disadvantages may make questionable this international equation to a certain extent; the SZIM can step over its own shadow only because in years past it set up to manufacture a good number of parts and subassemblies. And this autarky increases costs.)

Among other things this is why the Hungarian NC and CNC machines are two to four times more productive than traditional ones, but three to six times more expensive. In the developed capitalist countries this difference is smaller. In addition to their background industry advantages this is explained by a wide variety of cheap controls.

In the end, however, the NC program of the SZIM was justified by life. What is more, this was recognized at the most recent CEMA machine tool conference; at present Hungary is considered the most advanced of the socialist countries. This--plus more thrifty capitalist import management--increased the demand for the modern machines of the SZIM here at home and among the socialist countries.

The real breakthrough came this year--the Soviet Union ordered 50 NC controlled machines from them. The prices are favorable and thus, at present, these deliver... provide the profitability base for the SZIM. This year the enterprise further reduced the proportion of capitalist import parts in its modern machines; some of them are being acquired from socialist countries. (It is indicative of the flexibility of their market methods that they founded a subsidiary enterprise, with an AFB [State Development Bank] capital award, for the domestic and foreign leasing of their own and used machine tools.) It is to be feared, however, that the favorable effects of the market change--heaving a sigh of relief after the depressing years--will moderate the speed of product development and of further product exchange. And this could lead to losing the difficultly attained positions--whether on the socialist or capitalist markets.

Successes Through Association

The Csepel Machine Tool Factory now stands on the other, descending, end of the economic "seesaw." The "whiz kid" of the domestic machine tool industry--it was always given as an example if one had to speak of true technical success--has been struggling with serious economic difficulties since the breakup of the trust. Here also the troubles were not caused by a single factor. It is a fact that earlier the technical level and product development innovation of the Csepel factory were greater than at its domestic fraternal enterprise. This was recognized by the foreign competition and it is not by chance that the world-famous Japanese Yasuda firm signed a license sale and development agreement with them last year. They have developed the working center family further into a special, moving frame version and so far have sold 18-20 of them in Western Europe and the United States. (The business success has a blemish; the capitalist import content of the "miracle machine" is 40 percent.) The people at Csepel conducted an expansive export policy in recent years based on the good technical background; in 1978 their capitalist export ratio was 28 percent, compared to production; this increased to 38 percent in 1980 and 40 percent last year. Export incentive within the trust--the interest of leaders and workers--attached to increasing export. But they paid less attention to whether the export was economical. Thus the machine tool factory could increase capitalist export vigorously, while the other Csepel enterprises "swallowed" the drop in profit. This year, however, how profitable the export is is "vital," and the share fell to 27 percent. The new leaders preferred to export less; but they would not give price concessions. Although this is a very risky enterprise policy due to the recession the motives behind it are entirely understandable. The factory became "independent" burdened with a debt of 600 million. The way in which the property was divided is questionable, for the capital burdens of investment, and the repayment, were set on the basis of the profit of every enterprise of the Csepel Works. A receipts proportional profit of at least 10 percent would be needed to pay off the debt. Today, however, it comes to only half this. The situation is complicated by the fact that this year the people at Csepel have extraordinarily low orders for the second half of the year; the capitalist firms stepped aside so that in September they had a live contract for just one machine, with the Agricultural Machine Trust. These two factors together make their situation rather shaky and it is possible that central intervention will be needed at this factory. The question is: Must one wait for the troubles to come to a head or could one head them off--knowing the facts?

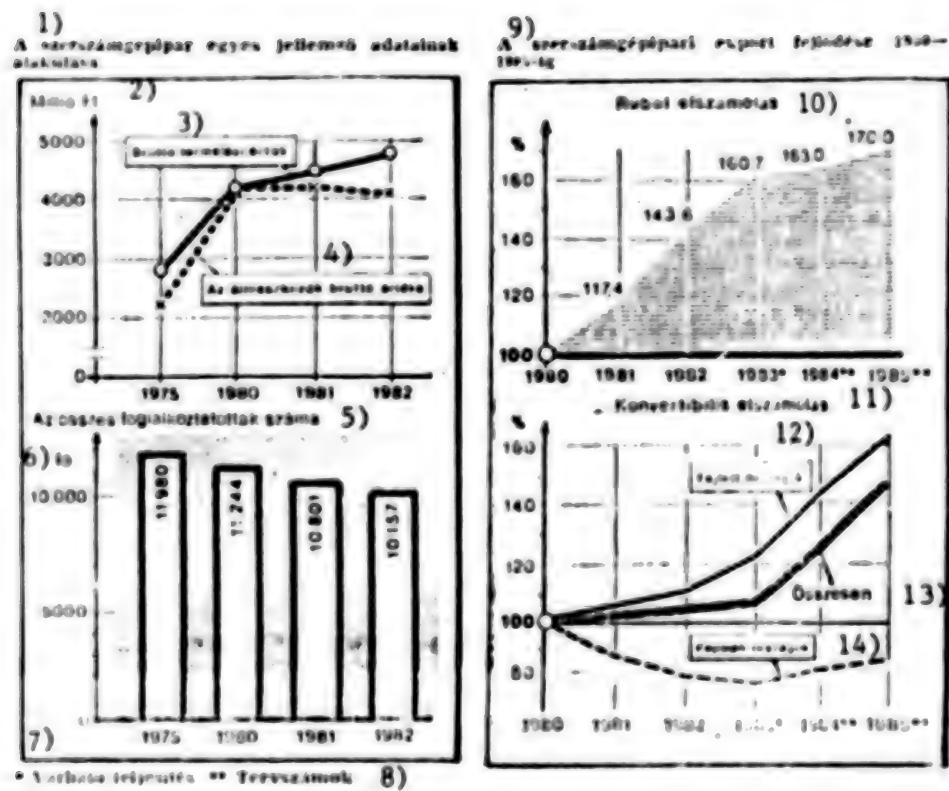
Compared to past decades very favorable cooperation is developing, at enterprise initiative, in the machine tool industry--partly because of the capitalist market recession and partly as a result of developmental "time constraints." The most significant is the Hungarian Machine Tool Industry Association formed in 1980, among the members of which one can find research and development and manufacturing enterprises for control manufacture--in addition to the interested special enterprises. In the past 3 years the association has reaped successes--which can be measured in several million forints--in coordinating not only market information but also technical development trends; this is a form of joint undertaking by virtue of which

they were able to make progress in background industry developments also. This year, for example, they "shifted" more than 20 percent of the capitalist import parts and subassemblies to socialist markets. These include, for example, the electric motors and regulators of Bulgarian manufacture which are indispensable parts of the chief drives for machine tools, or the Czechoslovak measuring instruments. It also helps in eliminating the disadvantages that here the large enterprises submit their background industry import orders jointly, coordinating developmental trends and standards.

New Market Methods

Technoimpex received a chief role in the operation of the association. According to those who want to put it in a bad light they were anxious to set up the cooperation in order to fend off the attempts of the special enterprises to acquire independent export rights. And although this really could have been so a few years ago, today the manufacturers are sensitive to the fact that their market problems are not caused by the present organizational structure of industry and foreign trade. It has turned out that the capitalist sales of last year and this year can be attributed to the market organization of Technoimpex, primarily to the joint enterprises which are viable despite the recession. The foreign trade enterprise has its own enterprise in the FRG and one each mixed enterprises in Italy and Mexico. Berma, in the FRG, has already founded two subsidiary enterprises and in the near future it would like to conduct commercial house activity on the Japanese model in addition to machine sales and parts import. They are turning to new market methods jointly with the industrial enterprises. In India, for example, they would found a mixed enterprise together with the SZIM; in the United States and Canada--again on the basis of bids by the SZIM--they would deliver main and subassemblies for machine tools, primarily mechanical elements. The electric part would be installed in cooperation with some American firm in accordance with local standards and customs. (Here also, however, the import restrictions cause various losses difficult to calculate in advance. This year, for example, the export of the SZIM to developed capitalist countries will lag below last year's level because for 2 months they could not complete assembly of a good number of export machines due to the late arrival of imported parts.)

In addition to a vigorous expansion of socialist export Technoimpex is trying to find new markets in the developing countries--thanks to its new prime contractor rights. The countries of the third world need primarily traditional machine tools--and we have good references--but unfortunately the needs are not supported by solvent demand. Thus trade with this area is being expanded with compensation or barter deals, which already count as a classical method. Frequently Technoimpex makes agreements in these with a number of domestic foreign trade enterprises with different profiles--we deliver machine tools in exchange for the most varied products. The delivery of complete technical schools or study institutions counted as good business in earlier years. But the market here has narrowed and competition has sharpened between Technoimpex and Indusztrialexport. It appears that industry sees this as harmful.



Key:

- 1. Development of some characteristic data for the machine tool industry
- 2. Millions of forints
- 3. Gross production value
- 4. Gross value of fixed assets
- 5. Total number of employees
- 6. Persons
- 7. *Expected fulfillment
- 8. **Plan figures
- 9. Development of machine tool industry export 1980-1985
- 10. Ruble accounting
- 11. Convertible accounting
- 12. Developed countries
- 13. Total
- 14. Developing countries

The prime contracting organization also has an interest (completely understandable from its own viewpoint) in making bids which are more advantageous--meaning cheaper!--for the customer. And since the other socialist countries are conducting an export incentive policy deviating from ours it happens that the domestic prime contractors are offering Romanian, Bulgarian or Czechoslovak machines instead of Hungarian machine tools. The associated enterprises have tried to act with greater coordination in this also, thus far without much success. The association has not brought a real breakthrough in the decades-old conflict between industry and foreign trade--it has not succeeded in bringing the interests closer together. The present association contracts correspond to the earlier consignment commissions--if in a more pleasing form.

Starting up the Robots

A step was taken at the beginning of this year which could contribute greatly to improving the ability of the machine tool industry, and of domestic industry as a whole, to accommodate the world market. The Ministry of Industry--together with the OMFB [National Technical Development Committee]--reviewed experiences with robotization and domestic robot developments. They established that thus far significant sums have been spent, with very low effectiveness. For this reason the Machine Tool Industry Society, more precisely the developmental institute of the SZIM [Machine Tool Industry Works], was entrusted with future coordination of robot developments. A group was formed here which, in the future, will coordinate domestic developments, discover the needs and install and service imports in the form of an undertaking. At the same time a competition was announced for industrial robots and manipulators which can be obtained from socialist import; equipment which can be purchased from central technical development funds and enterprise resources will be put to work continuously up to 1985 at various machine industry enterprises.

In the course of reformulating the robot conception it was discovered that quite a number of domestic enterprises--actually in isolation from one another--have effectively adapted foreign experiences already. For example, the Bakony Works and the Agricultural Machine Enterprise in Gyor have developments which could be used elsewhere in regard to the development of assembly techniques--affecting primarily manipulators and conveyor equipment. The former Gyongyos factory of United Incandescent and the SZTAKI [Computer Technology and Automation Research Institute] are working on adapting form recognition, assembly robots; Videoton, also jointly with the SZTAKI, is working on a similar development; while the Csepel Special Machine Factory purchased a Japanese license for the manufacture of a hot plant, heavy load robot family. These are useful initiatives in themselves, but the greatest improvement in efficiency might be if the NC and CNC machine tools were supplemented by various robots--by virtue of the technological conditions given. There is a possibility for socialist import also. They are now working on researching this; the first successful exhibit has taken place already, at the Csepel Machine Tool Factory--featuring a Fanuk robot of Bulgarian manufacture. Of course, a good number of the products for robots which can be made on the manufacturing-development base of the machine tool industry--primarily background industry products--are still missing here at home. It is foreseen that the members of the Machine Tool Industry Society will establish a joint manufacturing enterprise abroad to supply them. In addition, this year already, a so-called manufacturing cell (this is a "marriage" of a machine tool and a robot) has been developed at the SZIM and the Csepel Machine Tool Factory which carries out various functions. One of them has been put to work already, not at home but in the FRG. Linking machine tools and the somewhat late domestic robot developments is a significant decision from the viewpoint of industrial policy also. It provides a new opportunity that the recession barometer in this branch of industry, with many-branching effects, should not sink further.

COVERAGE OF ECONOMIC REFORM COMMISSION MEETING COMPARED

Jeziorski in ZYCIE GOSPODARCZE

Warsaw ZYCIE GOSPODARCZE in Polish No 47, 20 Nov 83 p 2

[Article by Tomasz Jeziorski: "Economic Policy the Determining Factor"]

[Text] As sort of a response to accusations that the Commission on the Economic Reform was to be dismantled and have the burden of its work transferred to the Presidium and Secretariat, on 9 November its members had literally thrust on them documents containing material important to the future of the reform. This is what they received:

"Directions for bolstering in principle and upgrading the mechanisms of the economic reform, called "the little blue book," in keeping with the color of the cover of it;

a draft law to change some of the laws inculcating the reform;

a draft law on PGAZ (see page 4);

a draft of a Council of Ministers resolution on the principles for technical-material supply for the years 1984-1985;

a draft of a Council of Ministers resolution on government orders for goods and materials (see page 8);

a draft of a Council of Ministers ordinance on converting part of the credit on turnover which the banks grant to units of the socialized economy;

"Directions of Wage Policy in 1983-1985";

a comprehensive overview (or outline) of the report "On the Course and Effects of Implementing the Reform in 1983";

"CPR Targets for 1984 Along With a Comprehensive Survey of the Directions of the Policy of Wages, Prices, and Living and Working Conditions of the Population."

The material for discussion was therefore truly tremendous, but there was a paradoxical situation which came up: The members of the commission had important documents before them, but there was not much to discuss, because it turned out that with the exception of the first and last items listed above, all the materials were presented 5 minutes before the deliberations began, and because there were way over 100 pages to read, there was no opportunity for even a cursory analysis. Nonetheless, as Vladyslav Baka, who conducted the meeting, said, each of the members of the commission can participate in consultations by letter.

Another thing is that just the documents sent earlier, that is, "the little blue book" and "CPR Targets," were already more than enough material for discussion. But here is another problem. "The Directions for Bolstering the Reform Principles and Improving Its Mechanisms Beginning in 1984" had already been presented at the commission forum this past June, but they had been tabled, because in order for the discussion on amendments to make any sense at all various calculations have to be made and simulated figures have to be drawn up. In September the Council of Ministers accepted the documents (and also suggested that the figures and calculations be worked out). Therefore, by virtue of the situation, the discussion centered on the CPR 1984 targets mentioned above.

In the discussion on the reform in the context of the plan, the main focus was on economic policy, seen as the factor which is deciding and will continue to determine how successful we are in overcoming the crisis, including the future of the reform, taken as a method in that struggle.

This association of economic policy with the reform, hence, the overwhelming conviction expressed in many of the presentations that the fate of the reform is conditioned by economic policy, was so strong that it inclined some of the participants in the discussion to make sceptical comments on the successes of the reform mentioned by the plenipotentiary in the opening remarks.

This may sound complicated, but such thinking is after all rather simple basically: Let us not rejoice too much over this year's economic results and let us not credit the reform, because that would be an injustice to it. Jerzy Albrecht said: "Optimism is good in the home, but in economic life, what you need is realism." The positive results are not visible to the society, and in addition they are largely externalistic.

The plan is an expression of policy, and a wave of accusations were addressed to the "Targets." Prof Jozef Pajestka put them altogether most succinctly. He said: "The authors of the "Targets" are pleased that the three-year plan is going so well, but everyone knows that, first of all, the conditions for development are getting worse (for example, the decline in livestock raising, the lack of foreign exchange, and the inability to achieve growth through further extension of working time). Second, the desired structural changes are not coming about. Third, the investment front has not be mastered or reoriented. And fourth, the antinflation program is not being carried out (the indices achieved in this area will be double those projected).

"Some people say," Prof Pajestka continued, "that these adverse phenomena have been the result of the reform, owing to the independence. That is not so. The effectiveness of the struggle to overcome the crisis depends to a major extent on economic policy and also on the effective use of reform instruments associated with the goals of economic policy."

Hence, we now face an alternative: either to create and carry out a program to restore economic balance or to continue with "spontaneous development," counting on having everything take care of itself in time.

All these hypotheses produced reactions and were developed in other addresses, especially in the current of "antiinflation policy" and "central steering."

At the last session of the Commission on Economic Reform, there was absolute agreement as to our not having made a single step forward in carrying out the antiinflation program.

"Inflation policy," said Prof Czeslaw Bobrowski in turn, "is some sort of concept concerning wage and price movement which is written down on the calendar and consciously guided. Meanwhile, there is no such conscious, elected course of action in our country in the realm of wages and prices."

"In a primitive way, one not based on facts and figures, the lion's share of the responsibility for inflation is being borne by the enterprises, which allegedly do not maintain the ratio between labor productivity and wages. It is difficult to understand what we are presenting such faulty analyses of the situation for," said the chairman of the Commission on the Economic Reform. "After all, if, in keeping with the science of economics, we accept that inflation is the monetary form of material processes in the economy, the relation (ratio) between wages and productivity is not the cause of inflation. The structure, proportions, and failure to take the absence of building factors into account in economic policy are, that is, lack of realism. Unfortunately, instead of taking this into account in building the plan for 1984, we are suggesting, for example, an increase in material savings."

The plan for this year calls for materials savings on the order of 2.2 percent, but the index actually achieved amounts to 1 percent at best. Prof Bobrowski asked: "What is the Planning Commission doing in this situation?" Then he himself provided the answer: "Next year the savings index will go up even more, in order to 'eat up' this year's deficit. This is economic voluntarism with all the greater danger, because half the planned production growth 'hangs from' the savings index," he concluded.

Within the context of the deliberations on inflation, several speakers (including Prof J. Pajestka, C. Jozefiak, J. Goscinski, J. Mujzel, and C. Bobrowski) criticized investment policy. New investments absorbed 12 percent of the outlays, which would barely suffice for assets restitution and minor modernization projects. The remaining outlays continue for construction of "tail-end" investments, those begun during the 1970's, thus firing the inflation and making crisis-creating structures permanent.

The statement was made that in this situation all possible means should be sought to further the enterprises' own investments that feature high efficiency and effectiveness. "Meanwhile there is a proposal to restrict just this very enterprise investments, for example, by collecting depreciation from the enterprises and distributing it as a reward to others," Prof Janusz Goscinski said.

Concerning the second of the above-mentioned themes, there was some consistency in the predominant view that the central administration up until now has not been effective enough either in delineating cohesive targets of economic policy or in their consistent implementation using the instruments of the mechanisms of the reform. "It is indispensable to make institutional changes designating a new distribution of authority, a new system of relationships, and other working methods in the institutions running the economy," Prof Jozefiak said.

He continued: "Undoubtedly the solutions being proposed for the next few years will fail to eliminate the fractures already existing in the system or to prevent further cracks."

Jan Labecki stated: "I am seeing the phenomenon of the Planning Commission's reverting to its old positions, which runs counter to the reform." He then called for the broadest possible implementation of reform in the operating ministries, especially the establishment of the place of the Planning Commission in keeping with the document "Directions of the Reform."

Summing up the discussion, Minister Baka admitted that the lack of a Planning Commission law was one thing that greatly hindered the implementation of the reform. He also told commission members that the government had already rejected several versions of the law drafted by the institution involved.

Prof Jan Mujzel also criticized both economic policy and its implementation. He expressed amazement that a document like "Modifications of Systems Principles" had no chapter concerning central steering. On the other hand, he had a view of this factor which was different from that of the majority of the participants in the discussion. He viewed this from a different side, that is, from that of the socialization of the system of economic operations (Prof Pajestka called this "the humanization of central activity"). Prof Mujzel pointed out that the socialization not only of planning but of all economic operations was one of the two main ideals of the reform (along with the independent enterprise). The separation of these ideas means at best the fracturing of the integrity of the reform, with all its effects.

In a journalistic account of several pages there is no way to present all the threads, ideas, and comments that came up during 6 hours of discussion. There were a lot of them, especially with regard to the 'CPR Targets.' Maybe some of these comments are open to discussion or onesided, which in the end is natural and even desirable in the sphere of social consultation on the plan. At any rate, as Jan Labecki put it, "We are discussing the CPR, but no Planning Commission representative is present among us. To my way of thinking

this is a root of the relationship to the reform and the best testimony of how much a profound and rapid central reform is needed.

In this connection the plenipotentiary said that in talking about the need for central reform we must not have in mind some sort of "spectacular organizational changes." More important will be how many industrial ministries there will be, in order to prevent the creation of an intermediate echelon of administration, because without this echelon it will not be possible for a complete regression to the command-distribution method, and there will be no way after all to command 800 enterprises directly. This does not change the fact that in carrying out the reform, the greatest delays have occurred in the sphere of central steering, which is most visible through the prism of all the different kinds of defects in our economic policy, according to the plenipotentiary. And it is the economic policy itself that determines the social effectiveness or ineffectiveness of each aspect of the reform.

ZYCIE WARSZAWY Report

Warsaw ZYCIE WARSZAWY in Polish 10 Nov 83 pp 1,2

[Article: "Meeting of the Commission on the Economic Reform--Mechanisms and Orientation of the Policy; Goals, Methods, and Effectiveness of the Plan"]

[Text] (From our own sources). The list of matters reviewed on the 9th of this month at the meeting of the Economic Reform Commission was very long this time, but the real debate on work related to inculcating the new regulations concerning the mechanisms of the self-financing system and the targets of the Annual Central Plan (CPR) for 1984 could be reduced to a common denominator, the relationship between the model created and what might be called the orientation of economic policy.

The notion that the reform provides a certain amount of hope, through which we can implement certain assumptions of economic policy contained first of all in the plan permeated the discussion from the first words of introduction by Prof Wladyslaw Baka, who conducted the meeting, to the information about the preparation of legal documents provided by Prof Zdzislaw Sadowski, and to the many presentations and comments in the course of the discussion. The success of the reform then depends to a great extent not only on its instruments but also on how correct the policy assumptions are that are to be used and how the general conditions are under which the economy is operating, especially the supply of essential materials, fuel, and foreign currency.

The plan's interrelationship with the system of economic mechanisms calls for an honest analysis of both the effectiveness of the model and, as was pointed out, realism in economic policy. Prof Wladyslaw Baka talked about the report prepared on the course and effects of the reform during the year 1981. The people present at the meeting received a very rough draft of the document. Even now, however, there are basic conclusions describing the tendencies. They show both the beneficial processes and the adverse phenomena, among which we should mention first of all the excessive inflation rate.

The question arises, however, as to the extent to which the mechanisms of the reform provoked inflation and that to which shifts in economic policy were responsible. Research shows that despite general opinions, inflation cannot be linked solely to independent actions or the reformed enterprises, especially in the realm of wages and prices. After all, the directions adopted for bolstering the economic reform principles and improving its mechanisms will restrict this sort of phenomenon.

It is nonetheless a pity that the leadership of the Planning Commission was not represented in the hall, especially since many criticisms were directed at the targets of the plan presented for next year. It is true that the draft plan was discussed that very day in several ~~as~~ and in the Sejm, but the absence of the economic reform commission at the meeting may be symptomatic.

After all, the discussion attempted to point out the need to review the targets of the plan against the backdrop of social awareness. People still do not always realize the very complicated internal and external conditions under which the economy is presently operating. The key issue is still to restore economic balance, but the question arises as to how much the central echelon can adapt that policy based on effective systems methods. This applies especially to price and wage policy and also to management.

Prof J. Pajestka gave a very interesting proposal, that for example we use the new principles of proceeding when in the economic recession there is a battle about the distribution of goods or over the extent to which the various groups or branches are to suffer the results of the crisis. The government here should appear not in the role of a party or arbitrator. One can imagine, for example, how the questions of a rise in procurement prices or food prices and also in those prices which in turn have an impact on the costs of far production could be the subject of negotiations between organization representatives speaking for the professional interests of peasants and workers. Similarly, in the case of government subsidies, it is possible only to define the permissible amounts, but the manner of distribution would be a subject for the parties involved to negotiate. Meanwhile, this would help break through the common conviction about the government's unlimited capacity to increase resources. Similar systems solutions should be used in investment policy.

Prof Mujzel embarked on a review of the whole dossier of systems changes made from this viewpoint to see if they are getting our economy closer to the targets of the reform or not.

Prof Czeslaw Bobrowski talked among other things about the realism of the plan, about the fact that the capital of public trust must not be wasted by setting up targets that cannot be met. This applies in particular to those targets related to the fight against inflation. It was pointed out that the anti-inflation solutions adopted in the plan draft could prove inadequate, but, as Jerzy Albrech said, we cannot afford to continue such a high rate of inflation.

RZECZPOSPOLITA Account

Warsaw RZECZPOSPOLITA in Polish 10 Nov 83 pp 1, 2

[Article: "Impact of the Reform on the Economy--Economic Reform Commission Meeting; Improving Methods, CPR Targets"]

[Text] (From our own sources) On the 9th of this month, the Economic Reform Commission reviewed information on work related to the implementation of directions for bolstering the principles of the economic reform and upgrading its mechanisms beginning in 1984. There was also a discussion of the targets of the annual central plan (CPR), with particular attention given to the use of the economic reform's mechanisms in carrying out the plan.

The meeting was chaired by Minister Wladyslaw Baka, government plenipotentiary on the economic reform.

There is a great deal of variety concerning the opinions circulating on the reform. Given the circumstances under which our economy was working during the implementation of the reform, any assessment of the changes occurring here must be limited, by the nature of things, to showing the trend of changes in the country's economic life and an interpretation of the extent to which and the direction in which the mechanisms had an impact to bring about the processes which took place.

In his opening address, Minister Baka pointed out this problem and at the same time documented it in terms of the positive impact of the reform.

The country's economic situation during the last 3 quarters of 1983 showed improvement. This was expressed in the rise in material production and in an improvement in the indicators of effectiveness. From January to September industrial production was 8.2 percent higher than during a similar period last year. We can also talk about a turn-around in the tendencies which appeared over 1982, the year in which the growth rate of extractive industry's production amounted to 111.0 percent but that of processing industry, 97 percent, compared to 1981.

The government plenipotentiary on the reform also pointed out adverse phenomena accompanying the positive trends in the increase in production and the improvement in effectiveness indicators. Among these, the main adverse factor was the excessive rate of inflation. In the minds of the public, this is related to the enterprises' independence of action, particularly in the pay and price sphere. Meanwhile, this is a more complicated issue, and in looking at it, we must take note of many factors, such as the unfavorable production structure and the central investment program being carried out. As for prices, as research has shown, the increase in prices noted during the past few months has been the result of the rise in official prices (80 percent) and the rise in contract prices (20 percent), despite popular opinion.

Analysis of the basic economic relations shows an improvement in many indicators portraying management effectiveness. It should be emphasized that the

rise in production occurred alongside a decline in employment of 43,000 in industry. In the period between January and August there was substantial improvement in utilization of nominal working time of workers in the industry and development group.

Minister Baka emphasized that for the first time in several years there was improvement in the effectiveness of utilizing raw and other materials. There is also a further decline in the import-intensity of production. It declined by 3.9 percent. He also said that we should get rid of the myth about the consumer attitudes which supposedly are dominating the enterprises. The data show something different. In 1983 about 70 percent of the profit for distribution went for development. This is nearly 10 percent more than the previous year. There was also improvement in the investment structure, with 75 percent of the funds going for purchases of equipment and for modernization.

Summing up, Baka said that on balance the results of the reform have been positive. Evidence of this are the economic results and the changes being made in the economy. Talking about the defects, we should not forget that any undertaking requires time to carry out, and this is true of the reform too. It is not possible to change everything at once.

The "Directions for Bolstering the Economic Reform's Principles and Improving Its Mechanisms Beginning in 1984," adopted by the Council of Ministers this September, are to help eliminate adverse phenomena which have appeared in the process of implementing the reform. Generally speaking, the implementation of systems improvements should make the economic mechanisms more effective in carrying out the tasks set down in the national socioeconomic plan. It is particularly a question of increasing the economic pressure on the enterprises to make them achieve a rise in production and improvement in management efficiency. It is also a question of restoring market balance and combatting inflation, and of increasing the interest in the implementation of scientific-technical and organizational progress. The goal of the corrections being projected is to increase export production, to bolster Poland's position in the international division of labor, and to structure conditions and mechanisms for structural changes in the economy.

During the several hours of discussion, the most time was given to the problem of overcoming inflation, and here it was pointed out that the reform mechanisms cannot effectively combat this phenomenon in all the targets. Teresa Nitkiewicz, chair of the construction group, voiced the opinion that both in the directions of the reform and in the targets of the CPR there was a need for proposals for concrete solutions about how to reach this goal. What is more, later participants in the discussion said, the CPR targets call for a similar rise in wages and prices, which overall cannot help reduce inflation. In the discussion on the subject of employment, it was pointed out that personnel management must be improved. The need for stable regulations concerning the mechanisms of the economic reform was also pointed out.

Prof Pajestka pointed out, among other things, the problem of effective central operations. The basic question is the extent to which the central echelon can carry out a policy of balance. It is necessary to make further effort, especial-

ly those of a systems nature. During the discussion there was great emphasis on the need to consider the society's awareness, the opinions of people who do not always understand all the external and internal conditions which our economy faces. The key problem is still to restore economic balance.

People came out in favor of new solutions on monetary and financial issues. The whole complex of operations in the banking system and the money circulation system should be gone over in a comprehensive manner, according to Prof Mujzel.

"In planning for next year, we must not lose the capital we have gained, both last year and this year," Prof Czeslaw Bobrowski, chairman of the economic consulting council, said in closing.

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PROBLEMS OF PROMOTING REFORM VIEWED IN PZPR ORGAN

Warsaw SUGESTIE in Polish No 10, Oct 83 pp 4-5

[Article by Edwin Gornicki: "Economic Reform: Some Notes for Propaganda Reform"]

[Text] Two years have passed since undertaking the tasks of national economic reform at the Ninth PZPR Congress.

This period showed beyond any doubt that economic reform is an intricate social process with varied economic and political implications. And so, on the one hand, reform appears as a party obligation, a confirmation of a political intention and a will to lead the country out of crisis, the realization of social agreements; on the other hand, though, it appears as a social experiment on a grand scale which is carried out under extremely unfavorable external and internal conditions. Today, it is obvious that the success of reform depends equally on the coherence of the system of economic regulations as on the changes in the manner of thinking and attitudes of behavior of all participants in the economic process. This can be clearly observed in the character and number of psychological barriers which have appeared in the consciousness of management personnel, government and economic administrations, party activists and the party apparatus, as well as the rank and file of the party--the workers. Their breakdown progresses slowly.

The matter of economic reform, methods for its introduction and its efficiency, is not only a technical question, the domain of economic experts, but a vital matter for the party itself. If the concern for improving the mechanisms of economic reform is to be left to economists, theoreticians and practitioners, then the difficult task of taking on problems in the area of social psychology falls to the propaganda activist.

The main problem lies in that reform disturbs the habits of many years, work technique, and conceptions of the basic principles concerned with the national economy's performance.

Everyone knows that reform is a necessity. It has been announced from the highest levels that "there is no turning back." But it is also known that its realization encounters some difficulty.

One of the most critical is the formal acceptance of a need for reform while at the same time proceeding in practice according to old ways developed by "life" experiences. Among other things, it is from here that the mistaken identification of reform results with price trends emerges, provoking among workers a reluctance toward the reforms themselves on the one hand, and, on the other, a nascent pressure for official recovery of salaries (more precisely--automatic wage increases in all trades and branches of the national economy); also, it is from here that the absence of a relationship between the level of compensation with labor productivity and quality of production emerges. The substance of the reform has not been adequately understood by rank and file production workers and staffs of foremen and overseers. Old patterns of thinking cause the substance of economic management to remain altogether outside the realm of consciousness of direct manufacturers and many individuals of the economic administration, which then provokes an irrational expectation of immediate positive reform results without individual participation in production for its realization.

In effect, problems of financial efficiency are solved rather generally in the new regulations of the economic game plan by means of increasing prices on finished products rather than searching for ways to lower our own costs, among the mechanisms of the three "S's". In the consciousness of working people, reform is not yet generally and directly associated with the level of wages, which continue to be set to a large extent by official factors apart from production (rigid classification schedules, joint agreements, work practice, position, and the like). Also, one cannot fail to take into consideration the influence on delaying the implementation of reform which a profound economic imbalance produces. Among other things, it is from here to a great extent that the maintenance of a central supply point for raw materials, limits in the allotment of currency and the like arise.

Consequently, there appears an aspect of propaganda for the implementation of reform. It does not denote as much propaganda of reform, understood simply as its praise, as much as a sophisticated campaign of indoctrination and education aimed at removing barriers of consciousness, rooted in many years of practical experience which has not always represented good practice. To this effect, the propaganda of reform denotes a need to overcome much simplified conceptions of the functioning of the national economy, economic interdependence, means of creating social prosperity and easy formulas for healing and modernizing the economy of the country.

Popularization of the recommendations of the 8th and 10th Plenums of the PZPR Central Committee in the field of information-explanation activities on the subject of reform, and making party members and many millions of citizens aware of them, requires further extensive work. Tasks on this subject stand out clearly.

First of all, it is necessary to fill information gaps among staffs of foremen, overseers and middle technical-economic supervisors, and widen the range of understanding of the substance of the entire undertaking.

Second, this work cannot be given the sole routine feature of information being provided, but that of creating a positive relationship to reforms and the desire for personal participation in its realization.

Third, propaganda must persuade quite specifically with examples that compliance with the regulations of the new "economic game plan" will bring the enterprise and its personnel positive results.

The keynote of these activities must be to show the class feature of the work of reform, illustrating the fact that its results serve to satisfy, above all, the needs of the working class. Further--that the reform accelerates the process of self-realization of the working class, which as a consequence becomes a full-fledged active participant in the processes of economic management and not just an anonymous producer of goods. Reform propaganda must reveal the deceptiveness of schemes concerned with the thought of wage recovery based on a conviction in opposition to activities of a socialist nation and interests of the working class, a state of mind which leads to a position that requires concessions from the country irrespective of the country's economic capabilities.

A similar obstacle in sinking the principles of reform into the consciousness of personnel is thinking in categories of opposing "sides," roles which management, the party organization and workers' self-government were to perform and who in this setting were to uphold "individual" rights, interests and work goals. The "ideology" of this view is derived from a domination of the sphere of distribution and consumption over the sphere of production.

The general social interest, and therefore the most vital interests of the working class as well, require not only production of this sort but rational, frugal, modern and socially justifiable production. That is also why in propaganda one ought to oppose treating principles of self-government, self-finance and independence as a screen for economic particularisms arising within enterprises, for short-sighted work that does not take into account social effects and dealing with enterprises as "beings" independent of the national economic organism as a whole. Finally, propaganda cannot overlook the question of techniques in handling prices, showing that artificially guaranteeing earning capacity, profit, concealing extravagant measures by these means, etc. are not only incompatible with the principles of reform but, quite the contrary, they strike at living conditions of the broad masses; they represent, therefore, an activity of negative political consequence as well.

In order to influence social processes effectively, it is necessary to work through members of the party and not for them. This requires tremendous changes in the mentality of a significant segment of the administrative and party apparatus. This is the next and not the last psychological barrier.

There are considerably more of them; within ourselves and within the habits acquired through the years. Often they arise from a fear for the fate of the plant, the staff. After all, reform means, in effect, changes in the structure of the economy and so a restructuring of lines. Strict regulations of self-finance and a policy of tight money represent a threat to the existence of the weakest, those who manage badly.

The problems brought to attention are a part of a greater whole, which is the economic education of society, whose role in developing social, citizen and political awareness has manifested itself intensely. But this survey already

sufficiently points out that the party's battle for a consistent introduction of reform does not spend itself at the level of "central" activities, but must be conducted at the level of primary party organizations.

12491

CSO: 2600/299

PZPR OFFICIAL DIAGNOSES ECONOMIC ILLS, POLICYMAKING ROLE

Krakow ZYCIE LITERACKIE in Polish No 37, 11 Sep 83 p 3

[Interview with Stanislaw Gebala, director of the Economic Department of the PZPR Central Committee, by Stefan Cieply: "A Hard Zioly Is Not a Goal in Itself"]

[Text] [Question] We were apparently among the first 10 industrialized countries in the world. Where are we now? In what position?

[Answer] We really were in the first 10 with regard to the magnitude of our production potential. This production potential not only did not decrease, but is increasing, as we know. Still it is not completely utilized. The causes are well known: difficulties with raw and other materials. However, in those fields of the economy where the effect of foreign factors is less, e.g., in the coal, sulfur and copper mining industries, we still occupy a high position in the world.

[Question] However, speaking in a total way, would you not define our position in the world?

[Answer] This could not be done. Such simplified statistics are not produced anywhere in the world. In order to define the position of our country on the economic map, it would be necessary to consider a whole complex of economic magnitudes.

[Question] But at least an approximation. Are we, so to say, lower than 10th place, or above it?

[Answer] From an economic viewpoint such a question is almost nonsensical, but I shall answer it. Certainly we are not lower, and certainly we are a number of places higher. However, let me recall that the economic boom period has ended in the entire world, and that there are no miracles, although we are very much inclined to believe in them.

[Question] Then, in general, do we have a chance of getting out of debt and making some significant headway?

[Answer] A chance of progress, as a motivating force, is primarily the economic reform. In the Ninth Congress and during later plenary meetings of the Central Committee, the party has both outlined the directions of reform and is constantly surmounting the obstacles spread across this path, and we must be aware of the fact that the reform is not only a one-time change in management methods and style, but a continuing process. A few days ago GUS [Central Office of Statistics] issued the latest communication summarizing the economic results of the 7 months of the year so far. It is certain that without the reform there could be no talk of progress in such a short time.

[Question] Many people, including experts, believe that the reform was introduced too rapidly, that first the economy should have been somewhat prepared for it, that the introduction of the reform under crisis conditions had a bearing on the formation of abnormal mechanisms within the scope of the reform itself....

[Answer] There are no ideal solutions, and the recriminations originate mainly in the fact that the Hungarian experience, where the reform was introduced under conditions of complete economic stabilization, is well known. We did not have time for this. But after the passage of a year and a half, it is already recognized that we selected the most advantageous, the optimal way. The beginning of the introduction of the reform liberated, perhaps not much enthusiasm, but a great deal of inventiveness. This was impossible under the former methods. Everywhere people would have waited for what the center would invent and point out.

[Question] And now they do not wait?

[Answer] There is more and more waiting. Naturally, independence must still be taught, and habits of economy and thrift must still be developed and preserved. However, it is an indisputable fact that a reversal of the unfavorable trends in production, in working time application and in productivity would be impossible without the decision to introduce the reform. And the party adopted this decision energetically and joined in its realization. Not everything was able to be completely reformed at one time, but let me again stress that this is a process demanding constant activity and shaping by the contribution of successive stages of realization in its undertaking. There will have to be many more corrections and modifications. This is because we are creating the reform under our Polish conditions, the economic and social specifications of which need no further justification. We have a political program drafted by the Ninth Congress, we have an economic program for the next 3 years, and at present we are developing a prospective plan to 1995. All of these programs and plans of ours, both anti-inflationary and conservational, are not being formed in consultation offices, but in broad public consultations. This consultation is actually a reform in the public sphere.

[Question] And what about our chances of getting out of debt?

[Answer] At present getting out of indebtedness "to zero" is not our goal. We are more interested in an active credit policy, something which is common in the world and reciprocally beneficial. In the past year we have achieved a surplus of exports over imports, and the results of exports in the first half of this year are rather good. This is a result of the great efforts of our industry and of changes in the structure of our goods exchange and thrifty foreign exchange economy.

[Question] Does this mean that we should not be worried about our debts?

[Answer] Everything depends on the viewpoint, on the categories under which we examine the payment possibilities. If our per capita indebtedness is compared to the situation in other countries, the amounts are not so alarming. The main problem is based on creating conditions in Poland for debt repayment. This does not at all mean some extraordinary relief. It will be sufficient, for example, to return to Poland the so-called most favored nation clause suspended by the United States, in order for our national payment ability to increase instantaneously. Let me use an example. While a few years ago 90 percent of our turnover with the United States was based on credit, and 10 percent was of a cash nature, today it is just the opposite, and this naturally limits our repayment capabilities. I expressed this same point of view today in the Sejm (let us recall that Comrade S. Gehala is the chairman of the Sejm Foreign Trade Commission), entertaining a group of American congressmen in Poland. This is an obvious sign of discrimination against Poland and no one has protested against this point of view. After all, it is a generally accepted principle in the world, under trade conditions between a creditor and an honorable debtor, which refers to Poland, that a debtor wants to pay his debts and the creditor creates conditions and not obstacles for this. At the same time our exports are blocked and they demand cash for their exports. Does this not encumber payments? Our exports to the United States in the first half of this year were less than one-third of those in the first half of 1981. They dropped from \$312 million to \$95 million, and imports diminished from \$850 million to \$70 million, thus twentyfold. As a result of the suspension of our KNU (most favored nation) status, the customs duty, for example, on our machine tools increased by 30 percent, for construction tools and machinery by 40 percent, for sewing machines by 40 percent, and by as much as 60 percent for some light industry articles. Under such tariffs even the raw material costs are not returned, to say nothing of the fact that the price of many of our articles would become too high for some American customers and unprofitable for our producers.

[Question] I admit that I am convinced. However, the numbers referring to imports show that we are not the only ones losing.

[Answer] Naturally. Furthermore, we do not want anything extraordinary, and only want to be treated like a normal country. Perhaps here I might say something about what this most favored nation clause, the return of which we are striving for and which has been taken from us, is. Well, it is only a legal normalization which makes it possible for socialist countries to deal with the United States as do France, Japan and Brazil, without any relief or preference. It is only a promise of nondiscrimination. The sanctions are simply a political scandal disgracing the world superpower.

[Question] Are there other examples of discrimination against us?

[Answer] Naturally. As you know, Poland made a proposal for us to be accepted by the International Monetary Fund and the World Bank. By receiving credits from them for economic development of an export nature we would increase our capability to service our debt. But if our position there is blocked, it will indirectly make it impossible to increase export production, and the circle will be complete. Let me also add that when they induced us to strike in the mines for democratic freedoms, they simultaneously affected our traditional coal export markets. This is disconcerting.

[Question] Did the suspension of martial law bring about any perceptible change in our economic relations with the West?

[Answer] It can be said that since the suspension of martial law we have not observed any stimulation in economic relations with capitalist countries. Still, there are too few premises to state that this relationship is undergoing a favorable solution. Nevertheless there are some individual actions, such as the visits of Senator Dodd, Strauss and the American congressmen, but there are not many of them.

[Question] Let us return then to our native soil to matters dependent on our own subjective attitudes. The people are dreaming of progress. When can we expect this to be perceptible?

[Answer] It is astonishing that the question about the hoped for state of progress arises so often among us. What if it cannot be seen? Maybe memory abuses everyone. After all, not very long ago the shops were empty, and there were long lines in front of the shops. We regulated, we had to regulate, not only food but other products of everyday use as well. Today already there are no such lines, no such shortages, and we have abandoned regulation of many products.

[Question] Perhaps I did not express myself exactly. There is progress, but it is not satisfactory, particularly because people easily compare today's situation with that of the mid-1970's in our country or to the current state of supply in Hungary or Czechoslovakia.

[Answer] Anxiety about a satisfactory rate of progress is stirring the entire party and all of society. It is necessary for this creative restlessness to exist outside of party echelons, because the rate really depends on all of us, on the activity of every citizen, party member or not. It has already been said many times, but still not often enough for widespread recognition of the fact that honest productive work for the country is one of the most important patriotic obligations.

[Question] The average citizen is more easily impressed by clear economic mechanisms, tangible connections between good work and good pay, than by patriotic appeals....

[Answer] Yes, yes. In general, discussions on pay systems in our country are consistent and everyone agrees as long as we say that good work should be accompanied by corresponding pay. But when we begin to apply this opinion to details under concrete situations, to analyze it and to apply it to reality, the entire principle begins to break down. We apparently state that we are reflecting egalitarianism in wages, and for a while, we remember that everyone has a similar stomach. We are apparently agreed that base pay should be the major factor in wages, but try to deprive anyone in the occupational groups of some extra. At the same time the reality is that, as long as the pay system is not of a stimulating nature, progress will be impeded, and sand will be clogging the reform mechanisms.

[Question] Are there no examples of positive solutions?

[Answer] There are some, for example, in "Marchlewski," in "Obroncy Pokoju" in Lodz, and in "Radoskor." The truth is that the reform presented the enterprises with financing independence and it is their task to develop a new pay system. I can only say what the center proposes. We expect the enterprises to develop new pay systems this year. We set only the maximal hourly rate (at 60 zlotys) and stipulate a reduction in extras. This refers especially to those who are not involved with work results. The so-called base pay constitutes scarcely 40 percent of the entire pay at present. Therefore, we are establishing conditions for an output-based system, suggesting that enterprises analyze the flexible work components. We are suggesting the inclusion of compensation in the base pay, meeting the reflex of unwillingness motivated by the need for higher payments for FAZ [Vocational Activation Fund] or ZUS [Social Security Agency]. Another of our initiatives aims at basing the enterprise pay system on a collective agreement, but not with a central unit associated with a ministry, where all differences separating factories are eroded, but an agreement between the director and self-government, and the plant trade unions. What is already impelling us to initial consultation? Simply the fact that the center has not yet declared how it will watch over the pay differences which can develop between factories. Such a view warps the reform, because particularly here we are counting on a mixture of differences in the direction of preference of a good enterprise over a poor one without any artificial branch privilege.

[Question] Then this is another step in the battle to liberate self-dependence. At the same time it seems that this appears mainly in an artificial rise in prices for their articles.

[Answer] Well not only that. There are considerably greater abuses of the reform. Every law, even the best, can be bypassed and loopholes can be found in it. And in our country we are not devoted to observing the law. In general, if an enterprise makes a profit by increasing production or reducing costs, the work force agrees that this should be for everyone's profit. But if the profit is made by raising prices two or three times in a year, where is the benefit for the citizens? If there is a shortage of drinking glasses on the market, they are purchased at any price because there must be something to drink tea from. But what if this compulsion to buy is put into moral categories? Then it is simply robbery under the cloak of

reform. How would your profession accept selling the same text to three editors and collecting three fees? This is really the same thing.

[Question] In ordinary conversations among citizens the opinion is often expressed that the condition for healing the economy is good, that is, "hard" money. For years Edmund Osmanczyk has been an advocate of this opinion in the Sejm and in publications. Just where is the difficulty in introducing a hard zloty.

[Answer] This discussion concerning the function of money has lasted since the Phoenicians beat wedges into the form of money in the barter structure. The arguments in favor of strengthening the money would be sensible if the concept of a hard zloty did not conceal for the most part only the spectacular desire of making it equal to the dollar without respect for the economic situation of the country, the social situation and so forth. A hard zloty cannot be a goal in itself or a cure for the crisis. After all, it is possible to mention examples of countries which have a hard currency while their economy faces tremendous difficulties, with the masses of people drowning in poverty and unemployment. Are we talking of such a "hardness"? Good money must be earned honestly and does not spring from pressure by any social group. Good money is the result of an economic balance, of an abundance of cheap production of good quality. Therefore, good money is only one of the fundamental results of the economic reform, and cannot be the goal in itself.

[Question] But surely it would be a mistake to belittle the demoralizing effect of the dollar comparison on public opinion. I do not know whether we can speak of ethics in economics, but....

[Answer] It can and should be spoken of. The dollar fetish is a phenomenon independent of economic laws. It deforms the picture and we must do something with it. And we shall. Naturally this is a problem stemming from the total payment position of the country. If it were better, if there were goods on the market, it would be enough, for example, to eliminate PEWEX, and the dollar rate would drop. The problem is obvious, but just has not been solved, not yet.

Incidentally, the economic awareness of Poles functions irreproachably in evaluating the real buying power of the dollar. No one underrates the dollar. In going abroad, no one takes his family with him, because he knows that 1 dollar will not buy 10 loaves of bread, and that it is not easy to support a family with \$1,000 in view of housing costs. Therefore, profit is made only from speculation on the zloty and an artificial reduction in its value at home. There is another question concerning ethics in economics. I believe that as a party we must resolutely show the deviation between the directions decided on and their realization by units and groups. Here I am thinking of the behavior of the administrations of some cooperative enterprises, which also include our comrades. Is it ethical for wages to exceed the real production results? This has the result of working against society. Connecting good work with good pay is a sort of moral obligation of the administration.

[Question] And poor work with poor pay? I admit that not many things irritate me as much as the disrespect for work in our society, finding alibis in so-called socialist humanitarianism guaranteeing work to everyone. Legislation simply defends the sluggards and shirkers....

[Answer] But how many people have the moral appreciation of work implied in your question?

[Question] I think there are many more than is generally assumed. One need only listen to workers in factories, especially those who have been in one enterprise for a long time, necessarily of the older generation....

[Answer] I agree. This is a specific drama of a psychological nature taking place within the working class. The majority, the decided majority, of workers actually want to work well. However, they cannot summon up the courage to create a climate of moral disapproval in their own enterprise and their own brigade for various types of loafers whose absence, absenteeism and paltry work lead to a reduction in their own wages. This climate of moral disapproval does not sufficiently include wastefulness or production of poor quality. This phenomenon is recognized, and therefore in the reform mechanisms we want to arouse incentives for thrifty treatment of energy and raw materials.

[Question] Exactly. In the government conservation program there is a point which in my opinion is worth more than any of the other anti-inflationary undertakings. I am thinking specifically of a comprehensive survey of all finished products manufactured in the country from the viewpoint of a possible reduction in their energy and material intensiveness. This would be a gigantic undertaking, capable of producing unprecedented savings. However, this point is shrouded in silence....

[Answer] It only seems so. A few weeks ago the Council of Ministers examined the draft of a suitable resolution. This is also connected with a preliminary analysis of the norms of consumption, and also with intended changes in the structure of the Polish economy, changes for the purpose of increasing production in the so-called B group. A series of normative acts are necessary for the factories to be interested in such a survey and not to sabotage it. The guiding idea here is based on implementing investment credits and tax relief for factories which are managed economically. At the same time we want to stimulate for the UGM [Office of Materials Management] the possibility of prohibiting excessive energy or material-intensive production. If one washing machine differs from another with the same parameters of quality only by weighing several kilograms more, something is wrong. By the end of September we shall publish material under discussion with the preliminary title of "Directions for Strengthening the Reform Principles and Modifying Economic Instruments." This will be an opportunity for making suitable corrections, because we are far from convinced that what we have projected is the ideal.

[Question] In what direction will the modifications go?

[Answer] Let me emphasize that these are proposals for modifications. Unfortunately your question cannot be answered in one sentence. For example, we want to create possibilities for the enterprises to establish wage fund reserves in order to put an end to the fear that wage funds not used in a given year will be taken away by the state. Such a reserve could be of particular importance as encouragement to invest in the implementation of new technology when the production rate weakens and work decreases. There would be no levies on this reserve for the FAZ. We also want to implement mechanisms not only encouraging more expedient granting of credits, but also their faster repayment. This is actually one of the factors strengthening the złoty. Another problem is tax relief, of which there are already 32....

[Question] Exactly. POLITYKA recently postulated that enterprise payments to the National Fund for Health Protection be used to reduce taxes....

[Answer] Proposals for relief flow from all directions in an unending stream, but how could the state budget be formed without taxes?

[Question] We began our conversation with the statement that a major hindrance in using the production potential is the shortage of raw and other materials....

[Answer] That is right. Today, thanks to the Soviet Union and the socialist countries, the supply of raw and other materials is not a major threat to industrial production nor agriculture. However, we must strive more thoroughly to reduce excessive dependence on imports from the West.

[Question] I have another question of a completely different nature. For many years the problem of economic management has been operating among us as a controversy between party and government. It has been said that the "party directs, government governs." There have been greater and lesser deviations from this. Recently this subject has been generally forgotten. No controversy is heard, and in the Central Committee there is actually only one Department, directed by you, which is engaged in the management of trade, prices, employment and so on.

[Answer] Since the Ninth Congress, there have been 12 plenary meetings of the Central Committee, half of which were concerned with management. The involvement of all party echelons and organizations in carrying out the resolutions of the Ninth Congress and later Central Committee plenums, the consultation on variations of the 3-year plan, including the discussion and proposals from the National Worker Aktiv Conference, all of these are facts indicating the great deal of attention devoted by the party to economic problems. Representatives of the government, the world of science and practice--party members--express themselves on economic matters in interviews or newspaper articles. The truth, however, is that we shy away from spectacular activities. The party strives for effective action and not for appearances. The voice of the party is stronger in practice today, although there is considerably less institutional fuss. If there is something new in this, it may be that constant participation by a member of the Central Committee in the person of the Central Committee departmental secretary or

the director of the department has become the practice in meetings of the Government Presidium and the Council of Ministers, that conditions have been created for the interested departments of the Central Committee to be able to devote their attention to preparing decisions and normative acts as well as legal ones, that, for example, Central Committee commissions work constantly at only one economic level of the party, namely the Economic Reform and Economic Policy Commission, the Extractive Industry Commission, the Maritime Commission and the Social Policy Commission, and that finally reason is reached during discussions. The last principle particularly seems to be the route which will always be threatened by deformations.

6806

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NEW THERMAL POWER PLANT TO START UP NOVEMBER 1983

Warsaw TRYBUNA LUDU in Polish 1 Nov 83 p 5

[Article: "Preparations Underway To Operate the Plant. Boiler Tests In Progress. In November--Heat from EC [Thermal Power plant] Kaweczyn"]

[Text] Production start-up of EC Kaweczyn is now in its final stage. Boiler fire-up tests have continued for a month, and the plant's major transport, power, and production systems are being checked. The plant's future workers have manned their positions. EC Kaweczyn is scheduled to join the other 4 central power plants in November.

The enterprises which are constructing EC Kaweczyn have mustered all forces to complete the first stage of this investment project before the first frost. They are pressing on to be on schedule for the peak of the heating season when the new gigacalories will be indispensable.

Staying on Schedule

As announced earlier, EC Kaweczyn will be turned over for normal operation in November 1983. This deadline will be met, as work proceeds on schedule.

The tests completed to date have been successful.

Transportation and power systems are readied for regular operation, including a rail siding where boiler fuel, i.e., coal, will be hauled. A tippler mounted on a reinforced concrete foundation 17 meters underground, is fully operational. It can hoist a 90-ton car loaded with coal like a matchbox. The skyline of the plant area is dominated by a gigantic 300-meter chimney stack with an elevator and a combustion gas vent inside, plus room for three more vents to be installed in the future.

The first smoke from the stack in November will be visible proof that a start-up test of two boilers is underway in the plant's most important 20-story high building.

Prior to this, it is necessary to check the entire technological system and prime fuel supply, decarbonized water, and electrical power systems. It is also necessary to [missing text] of the boiler. A similar test was made on

boiler No 1 on 10 October, and 10 days later on boiler No 2. In that test, coal was used as fuel. While overheating the boiler, its heat resistant casing was being dried.

That was just a prelude to a dress rehearsal of the boilers, as they have to be fired up for approximately 72 hours to reach 90 percent output. Only then can their operation be precisely gauged and controls adjusted. To conduct this final test, everything must be totally prepared, including heat transfer lines looked up to the city system.

Contractors Keep Their Word

The 12 construction companies now completing the first stage of the project and preparing the start-up are assisted by the EC Kawecsyn work force, with nearly 95 percent of their new work stations manned. All of them are taking part in acceptance procedures under which segments of the plants are taken over from contractors, and all will participate in the plant's operational startup in November.

Asked to evaluate the degree of advancement of all work being done on this project, so important for the city's utilities sector, EC Kawecsyn Director Lechoslaw Luty said it was proceeding correctly both in the organizational and technological aspect. Efforts of participating work forces are visible and measurable at each stage. They are trying hard to make the new thermal power plant operational as soon as possible.

8795
CSO: 2600/288

MALINOWSKI INTERVIEWED ON FARM DEVELOPMENT

AU220723 Warsaw RZECZPOSPOLITA in Polish 17 Nov 83 pp 1, 2

[Interview given by Vice Premier Roman Malinowski, chairman of the ZSL Supreme Committee, to PAP correspondent Grzegorz Milewski: "Let Us Create Conditions for Self-Sufficiency"--date and place not given]

[Excerpts] [Milewski] Mr Premier, please state authoritatively whether our agriculture will be able to exploit the opportunities and assistance provided for it by the state, because doubts in this regard are being spread by some people.

[Malinowski] Our agriculture responded positively in the past and is positively responding to the state's assistance for it. This was so in 1956 and in 1970, for example. In those years--after a brief invigoration--such questions began to appear, and this resulted in halting the necessary measures to help farming and in the gradual accumulation of food difficulties. As these difficulties continued to bunch up, people continued to have a grudge against farming.

The comprehensive decisions we have adopted in the interest of farming have produced the first results. First, trends have now developed to improve the size of farms, which is one of the crucial conditions for solving the problems of food self-sufficiency. Farming effectiveness in all sectors of our agriculture has also improved. Second, the size of the rural population between 18 and 44 has increased 6 percent for the first time in individual farming. This is an unusual phenomenon. Should this phenomenon prove to be more enduring, it would indicate not only that the departure of people from farming has been halted, but also that some of those who have departed are now coming back. Third, despite all our food difficulties, the flow of foodstuffs is the only sector of the flow of goods which is functioning as well as possible under the circumstances. In addition, the balance of payments of our foreign trade with foodstuffs has been decisively improved. The negative balance of these payments began to increase as of 1974 and amounted to about \$2 billion in 1981, but this year it has been reduced to about \$300 million. It is worth stressing in this connection that the great weakness of the flow of industrial goods is responsible for additional pressure on the flow of foodstuffs.

As for the extreme optimistic and pessimistic evaluations, statements, and press publications about our farming results, I think they are probably results of partial evaluations and various viewpoints. For example, the yields of this year's plant cultivation are better by 2-3 percent than last years and the previous years. Evaluations that stress this are optimistic, but if we compare these results with our needs and even with our opportunities for rational storage, the evaluations of this aspect are not at all optimistic. This year's yields of grains of 22.2 million tons are higher than the yields in 1980-82 and the average yields in 1970-80. Grain procurement, which will yield probably about 5 million tons this year, will be higher by 1 million tons than provided for by the plan and higher than in the previous years. Nevertheless, this is still not enough to meet our needs of about 9 million tons of grain, including 6.5 million for bread and other foodstuffs. This means that we have to continue to import some amounts of grain, especially wheat, because rye is the main grain procured from home production. This is so because of our soil and climatic conditions. The yields and procurement of potatoes are better than last year, even though they are lower than average yields over many years. This year's production of sugar will be as favorable as last year, but we will have some losses because of the extra length of the sugar campaign due to insufficient processing capacities. The supplies of fruit and vegetables are good, but the animal breeding situation is different.

[Milewski] Precisely. The examples you have given us are eloquent, but animal breeding has slumped....

[Malinowski] This slump has been considerable. As a result of U.S. sanctions and reduced imports of grains and fodder (from almost 10 million tons at the end of the eighties [as published] to about 3.5 million tons this year), the drop of animal procurement has amounted to almost 1 million tons (from 2.7 to 1.7 million tons) in terms of meat this year. I would like to stress, however, that the meat procurement this year will be a little higher than planned. After 1970, increases in animal production have been achieved mainly through growing imports of grains and fodder. Cutbacks in these imports have reduced the number of hogs by about 5 million and have "phased out" the breeding of broilers. We will slowly rehabilitate the number of hogs and the production of poultry with the help of domestic fodder, including the production of high protein fodder, although our climatic conditions are not favorable to plentiful production of high protein plants. This means that high protein fodder will have to be imported in the future as well, in order to enrich domestic fodder and to ensure its effective exploitation.

There are certain indications that the slump in hog breeding is being halted and there are certain trends toward restoring the previous numbers of hogs. These indications are provided by the results of the fall census of farm animals, by the increase of sows for breeding purposes, and by the high prices of piglets. However, the hoped-for positive results of these indications can become obvious only in the 1984 procurement of animals. But, in line with estimates of the Ministry of Agriculture and Food Economy, we have to

expect that the 1984 meat procurement will drop by over 100,000 tons. However, the measures we have taken should ensure that the present rationing of meat is maintained.

As for milk, this year we will procure about 10.5 billion liters of it, which will be more than in previous years. Milk procurement varies with the seasons and is twice as large in summer than in winter. Summer procurement of milk is about 40 million liters and winter procurement is about 20 million liters. In the summer we are able to produce about 30,000 tons of butter a month, but in the winter only 13,000-15,000 tons of it a month. The summer situation of the procurement and processing of milk as well as our limited refrigerating capacities made it possible to temporarily suspend the rationing of butter and other fats and to restore this rationing for the winter. The flow of milk and dairy products in 1984 should approximately this year's flow.

[Milewski] How would you formulate the final conclusion of our talk?

[Malinowski] Progress in food production depends primarily on the consistent implementation of the decisions made in favor of agriculture and food economy. Public emotions often bear grudges against agriculture. I think that we should turn these emotions into determined activities in the interest of farming and food economy because such determined actions will create conditions for progress in the flow of food and in the food economy now and in the future. Farming development and progress in food production are determined by the entire national economy.

CSO: 2600/372

TRADE MINISTER VIEWS FOOD DIFFICULTIES

AU080955 Warsaw TRYBUNA LUDU in Polish 2 Nov 83 p 2

[Interview given by Zygmunt Lakomiec, minister of domestic trade and services, to PAP correspondent Janusz Kotarski: "The Rationing of fats and What Next...,"--date, place not given]

[Text] [Kotarski] When I interviewed you about 4 months ago you spoke of progressive normalization of the flow of foodstuffs. Today, when the rationing of fats has been reintroduced, many people think that stabilization is based on fragile foundations. What will be the food situation in the next few months and on what premises does your ministry base its forecasts?

[Lakomiec] The demand for goods continues to be very intensive. The relatively favorable food situation was created by the improved supply of farm produce and by the increase, albeit too slow, in the flow of industrial goods. However, the pressure on the flow of goods, especially foods, will not diminish because we have been unable to control incomes, whose increases in excess of the plan continues to cause periodical breakdowns in the balance between the supply of and the demand for some goods. If today we were able to increase the flow of industrial goods, the flow of foodstuffs would be more stable. However, the low labor productivity in industry, especially, the processing industry, the difficulties with raw materials, and manpower shortages are preventing us from achieving rapid progress.

That is why the flow of foodstuffs must be strictly controlled. The data I have show that the flow of basic goods will not be reduced. The recent reintroduction of the rationing of fats has not changed this estimate. I think that as long as the level of the flow of food is not high enough to eliminate the seasonal ups and downs in the flow of farm produce to the market, we will have to use flexible forms of food sales, that is, to buy more when the economy can afford it and to buy less when it cannot afford to buy more. This is the nature of the decision to ration fats.

[Kotarski] Will other foods that were rationed at one time be rationed again?

[Lakomiec] Although we have not procured enough wheat (its share in the grain procurement was small), we are taking measures to ensure that enough bread and grain products are available. I think these measures will be effective.

As for other kinds of foods, we have sufficient stocks of vegetable, fruit, and processed produce. The supply of food concentrates whose shortage was caused by insufficient amounts of potatoe flour will be increased. The supply of fish has been clearly improved, and there should be no difficulty with buying carp for Christmas. We have enough coffee made of grains [ersatz coffee] and enough dairy produce, except butter and hard cheeses, whose supply is experiencing seasonal breakdowns. The demand for cottage cheese, cream, and full milk will be met. I am maintaining what I have said before. In the present situation of the flow of goods there is no departure from the forecasts made by us a few months ago.

However, it is worth stressing that the flow of goods must be bigger than last year in order to ensure a relative equilibrium. We can do this because the situation - farming and in the processing of farm produce is not bad, but this is true of domestic production.

As for imported goods, the situation is bad and may become worse, because we have no foreign currency to pay for imported goods to discernably improve the flow of goods at home. We have no lemons and if we should have them before Christmas then just a few of them. There should be more tangerines and grapefruits from Cuba. There will be no oranges. The supply of tea is getting worse. It is true that larger supplies of tea from the socialist countries have been guaranteed, but this is just a half of what we need. Efforts are being made to use some of the hard currency possessed by the PEWEX organization to pay for tea when it is offered for sale after harvest. There will be no raisins and other such exotic articles.

As for your first question, the development of the market situation is also characterized by the fact that during the first 9 months of this year the population's incomes increased 28.6 percent, the expenditure of goods increased over 30.2 percent, and trade stocks increased 39 percent. These figures confirm the correctness of the evaluations to date. Of course, all these indexes are calculated in current prices. Calculating them in fixed prices changes the proportions, but does not change the picture. Still, this serves as the confirmation of the fact that the flow of goods is still inadequate and that a relative equilibrium is being maintained through increased prices.

However, this increase is not uniform. In the case of food articles, for most of which official prices are in force, the dynamic of the increase in value is much weaker. The obvious increase in the prices for consumer goods and the insufficient flow of these goods help to increase the pressure on the flow of food articles because of the population's increasing incomes. We have to take this into account when taking measures to stimulate the production of industrial goods. This is the policy adopted by the 1984 central annual plan and the purpose of the modifications of the economic reform to relate increased incomes to increased material production rather than to increased value.

[Kotarski] This argumentation seems correct from the viewpoint of the general principles of the functioning of the flow of goods, but it does not change the fact that the people have negatively appraised the most recent decision to ration fats. In particular, they criticize the method by which this decision was made--its suddenness and surprise....

We are all tired by the crisis, and this is why we accept every progress and relief as improvements in our conditions and as a larger freedom of action. As for the flow of goods, every such progress and relief make it possible for us to buy things in line with our tastes and needs, without having to obey administrative restrictions.

We want to implement such a policy. As soon as it became possible to restrictions in the period of the good procurement of milk. Despite large-scale tourist traffic during the summer, no one experienced any shortages of basic food articles. We ensured full food supplies for young people's summer and other camps. There were enough fats in the shops.

However, the seasonal increase in the flow of fats from industry was not large enough to increase the norm of the rationed fats at that time and to maintain this norm all the year round. Increasing this norm by just one package of fat would require additional supplies of some 9,000 tons of fats, which is equal to a 33 percent increase in the level of the old and present sales on coupons. We can produce the amount of butter needed to increase the norms of rationing only during the 2 months of the seasonal peak.

It is a fact that the demand for butter countrywide is not uniform, but rationing gives everyone an equal share. When the rationing was abolished everyone could make the purchases he wanted to make. However, overall sales were lower than they would have been if increased rationed norms were introduced.

Dairy cooperatives put us under pressure at an earlier time and demanded publicly that the rationing should be restored. We made the decision only when the level of sales threatened a drastic reduction in stocks, which included the risk that there would not be enough butter to honor the ration coupons. We had to prevent and have prevented this. We have enough butter to honor the ration coupons, but we have not fully returned to the old rigors. The supply of butter to hospitals, nurseries, day care centers, and sanatoriums will continue to be unrestricted. Edible oil will continue to be unrationed, but we must reduce the consumption of butter in catering, except for milk bars.

Could we have chosen another deadline and technique for this measure? Certainly, everything is possible, but we have tried to solve the issue in the optimum way. If we had announced the reintroduction of the rationing we would have experienced many more such days as last Monday. [31 October] The 31 October announcement has also produced the charge that we had acted without notice, but a different manner of acting would have produced even worse

results because it is possible that an earlier announcement concerning only a sector of trade would have resulted in the concealment of goods and in speculation. The solution we used was responsible for the fact that trade sold only the stocks for sale, and this under the control of consumers. Also the day of 1 November was a day for trade to spend on studying the new principles of sales.

[Kotarski] Let us add by the way that what you call "studying" was a very difficult and toilsome task for shop personnel and a wearisome occasion for the people....

[Lakomiec] Indeed, because first of all it was the shop personnel that had to take the brunt of the understandable reactions of consumers. I am grateful to trade personnel for their efforts.

As for consumers, they have got used to "normalcy." They were as disappointed with the reintroduction of the rationing as they were pleased with its suspension. Perhaps they were more disappointed. After all, their freedom of purchases has again been curbed without any consideration of their needs. However, I want to remind you that when we abolished the rationing coupons on 31 May, we did not abolish the rationing itself. We merely suspended it. Even then we knew that there would not be enough butter to go round because of low milk procurement in the winter.

Does this mean that such "ups and downs" are going to face us every year in the coming years?

This will be inevitable for some time, but the question is whether administrative curbs will be involved. Personally I think that we should depart from such curbs as soon as possible. We can achieve better results by equipping dairy cooperatives with better technical equipment because there are areas in which milk procurement is lower than what it could be. We must also ponder on the concept of seasonal prices on some dairy products. Finally, we must be more effecting in trading butter, depending on the payments situation. At the peak of season last July we sold 5,000 tons of butter abroad. It will return to us in the same amount this December. We should seek to practice and increase such exchanges.

The Ministry of Domestic Trade is responsible for the flow of goods and for defining the principles of the sales of goods when their flow is too low. I want to assure you that we will suspend or abolish the rationing of fats as soon as this is possible.

CSO: 2600/370

POLAND

BRIEFS

PARCELS FROM THE WEST--Since the start of the campaign to send aid parcels to the Polish people it is estimated that approximately 0.5 million tons of goods have come into this country from the West. Food items accounted for nearly 80 per cent of this amount. This amounts to barely 2 percent of annual consumer demand for basic foodstuffs. [Text] [Warsaw ZYCIE WARSZAWY in Polish 7 Dec 83 p 2]

CSO: 2600/421

PARTY PROGRAM TO IMPROVE PRODUCT QUALITY, REDUCE USE OF RAW MATERIALS

Bucharest SCINTEIA in Romanian 30 Nov 83 pp 4, 5

[Party Program for the Improvement of the Technical and Qualitative Level of Products, Reduction of Use of Raw Materials, Fuel and Energy, and Better Utilization of Raw Materials and Supplies During the 1983-1985 Period and Until 1990]

[Text] The upgrading of the technical and qualitative level of production by use of the latest advances of science and technology is, in our party's concept, an essential condition for the creation of a highly productive and efficient modern economy.

Pointing out the outstanding importance of this issue, party secretary general Nicolae Ceausescu, President of the Republic, indicated that "in the current international economic context, when we must cope both with the difficulties connected with the economic crisis and a very keen competition, we need to do everything so that the Romanian products may be competitive, may be on a par -- in terms of technical level and quality -- with any similar make on the foreign market...."

This program to improve the technical and qualitative level of products, reduce the use of raw materials, fuel and energy, and better utilize raw materials and supplies, formulated on the initiative of and under the direct guidance of party secretary general Nicolae Ceausescu, stems from the decisions of the 12th Congress and the National Conference of the party.

The program is based on the fundamental guidelines and directives of the party secretary general on upgrading the technical and structural features of products, improving the manufacturing structures, that should result in the significant rise in the level of utilization of raw materials and reduction of materials expenditures, in increased efficiency of production and greater competitiveness of Romanian goods on foreign markets. The matters of quality are tackled in a modern, complex concept, with focus on functional, structural and reliability features as well as economic features -- consumption rates, productivity, costs, level of use of raw materials, efficiency in exporting -- of products, with the need for quality to ensure a maximum utilization value in the context of minimum expenditures.

According to the guidelines of the Secretary General of the Romanian Communist Party Nicolae Ceausescu, the President of the Socialist Republic of Romania, the program outlines a complex system of ensuring quality beginning with the activity of research and design, that must take into account the latest international advances of science and technology in production processes, for achievement of flawless execution, in

compliance with the reference patterns or technical documentations, and in operation, for an increase in the duration of use and reduction of costs for maintenance and repairs. In this context, it is planned to introduce modern methods of analysis to optimize the expenditures for quality, for bringing quality to a high world level and maintaining it at that level.

Moreover, it is planned to introduce quality indicators in terms of the execution of parts, subassemblies, semi-fabricated products and products that would permit the creation of a mechanism of incentive and enhancement of working people's responsibility as to product quality, within the framework of the new system of remuneration of work.

In determining the directions for action to improve the technical and qualitative level of our products, the program took into account recent world achievements and the trends that manifest themselves for the subsequent periods, in every field. Because of the very dynamic nature of quality and the technical level of products, it is planned to analyze -- as they appear internationally -- new directions of development of products, for arrangement for domestic production, correspondingly updating the program provisions.

The measures outlined to upgrade the technical and qualitative level of products and better use raw materials and supplies in all sectors are based on the input of research and development, in compliance with the technical programs and forecasts on a long-range basis worked out under the direct guidance of academician Dr. Eng. Elena Ceausescu, first deputy prime minister, chairman of the National Council for Science and Technology.

Involved in the finalization of the program were a large number of experts from enterprises, research and engineering institutes, industrial centrals and ministries, the State Planning Committee, the National Council for Science and Technology, the Ministry of Technical-Material Supply and Control of the Management of Fixed Assets and the State General Inspectorate for Control of Product Quality.

I. Current Status of Technical and Qualitative Level of Products

As part of the projects to formulate the program, there were analyzed about 11,300 major products and groups of products, specifically among exportable ones, accounting for the overall industry for 76.4% of the 1983 output.

As a result of the ample investment programs completed during the last decade, the value of productive fixed assets in the economy went up by a factor of more than 2.7, and in industry, 2.8. By the end of 1982 about 80% of the value of means of production were up to 10 years old. The same period saw the application in production of more than 7,700 new and refined technologies, with technical and economic parameters that were similar to those in advanced countries.

In light of this significant technical potential of the national economy all the economic branches must take firm steps to upgrade the technical and qualitative level of products, reduce relative consumption rates and increase competitiveness on foreign markets, according to the efforts made, and attain the planned parameters in all facilities brought into operation.

The analyses made pointed out that our country is now turning out a number of high-standard products that are competitive on foreign markets, such as: tractors, ball-bearings, some processing outfits, hydraulic pumps and installations, high-capacity excavators, ship engines, sea-going vessels and aircraft, data-processing equipment, equipment for automatic control of industrial products, automatic electronic telephone exchanges, types of electric motors, metalworking machines based on electroerosion, numerical control processing centers; laminated sheet iron products, non-ferrous metal laminated products; low- and high-density polyethylene, some pharmaceutical and medicinal substances, man-made yarn and fibers, phenol, acetone; tiles, cement products, types of wood furniture and musical instruments, sports and recreational items and wood craft; textile products, garments and knitwear, footwear, rugs, enamel cookware, glassware, porcelain ornamental items; some food products.

Moreover, the analysis showed that being produced are items which are not on a par with foreign makes and on which efforts must be concentrated with priority to significantly improve the technical and functional parameters that would permit the broadening of our country's export potentialities.

II. Objectives of Program

Based on the directives of party secretary general Nicolae Ceausescu, the President of the Republic, in the Program for the improvement of the technical and qualitative level of products, reduction of use of raw materials, fuel and energy and better use of raw materials and supplies, emphasis is placed on the following objectives phased out for the period until 1985, in the years 1986-1987 and in the following period until 1990:

1. Overall improvement of the technical and qualitative level of products by stepping up the projects for redesign and modernization of items in current production, upgrading of the design of those for which arrangements for production were made and expanded arrangements for the production of high-standard items, so that the volume of products characterized by an internationally high level may rise to about 69% in 1985, to 84.6% in 1987 and near 95% in 1990. Moreover, between 2 and 5% of products should exceed the level attained internationally.

In this context, already in 1984 all exportable products qualitatively will be on a par with world makes and will be characterized by greater efficiency.

Furthermore, there will be a significant improvement in qualitative parameters of products destined for domestic use.

2. Rise in the competitiveness of exportable products, hence, expansion of the export of Romanian products that involve advanced processing and high efficiency.

As a result of the measures outlined in the program, the utilization of a ton of raw material incorporated in exportable products must go up, on the average, versus the 1983 level, 10% in 1985, 18% in 1987 and 25% in 1990.

3. Expanded mechanization and automation in all industrial branches, specifically in the sectors with great volume of work, in order to ensure the goals planned in the program for increasing labor productivity. The volume of the production obtained

on the basis of mechanization and automation will on the average reach 65% in 1985, about 70% in 1987 and more than 90% in 1990.

In the context of economic efficiency there will be turned out automated machines and lines, including industrial robots and microprocessors. Their manufacture will be based on a special program, in compliance with the national uniform plan provisions.

4. Reduction of relative consumption rates for raw materials, energy, fuel and supplies, of imports, wider and wider use of local resources of raw materials and supplies, greater utilization of domestic mineral deposits, arrangement for the production of new materials that replace imports, use of recovered materials and expanded use of substitutes that ensure greater efficiency of production.

5. Better utilization of all raw materials and supplies, so that on an overall scale there should be an increase in the degree of their utilization, versus the 1980 level, of 29.5% in 1985, about 41% in 1987 and about 64% in 1990.

6. The increase in the efficiency of all economic activity also is involved in the reduction of materials expenditures for each 1000 lei of industrial marketable output by about 81 lei in 1985, more than 98 lei in 1987 and about 133 lei in 1990, versus 1980.

The set of measures outlined in the program must ensure the improvement of production structures by the rapid increase of products characterized by sophistication and great volume of work and research. In compliance with the program, the use of raw materials, supplies, fuel, and energy will involve smaller increases versus the increase in industrial output.

For the achievement of the above objectives the provisions of the annual and long-range plans will incorporate the tasks that result from this program, specifying the levels of the technical and qualitative parameters that need to be attained and the consumption rates for raw materials, supplies, fuel and energy, with meeting the level of increase in the utilization of these factors in production processes and in reduction of materials expenditures.

In this context, in each period action will be taken along the following main lines:

In Period up to 1985

1. In all industrial units firm measures will be taken to attain the technical, qualitative and economic parameters contained in the technical documentations approved for all the facilities brought into production; during the course of 1984 attained will be the planned parameters for the facilities whose datelines have expired and by the end of 1985, all the facilities that are put into operation in 1983 and 1984 will be working in the context of planned parameters.

2. In accordance with the plan provisions, there will be applied in production more than 2200 new and modernized technologies, assigned to branches as follows: 440 technologies in the machine building, electrical engineering and electronics industries, 109 in the metallurgical industry, 850 in the chemical and petrochemical industries,

370 in the construction materials and woodworking industries, 300 in the light industry, more than 170 in the food industry, and in other economic sectors; an arrangement will be made for the production of new and modernized machines, installations and apparatus characterized by high technical, qualitative and economic parameters; mechanization and automation will be used on a wider scale to save labor in line with the program for increasing labor productivity.

3. In the overall industry quality indicators of products will be applied in order to ensure control in all the stages of the production process and to create an overall system for enhancement of working people's responsibility for upgrading product quality; modern methods for surveying and monitoring quality will be applied, specifically in the machine building, electrical engineering and electronics industries in order to execute all the required tests, including climatic ones, and to optimize production costs and raise product performance to competitive levels internationally. Greater use will be made of modern methods for quality control and steps will be taken to efficiently use the test stands, all the measurement and control apparatus.

During 1986-1987 Period

1. Equipment modernization in facilities will continue for the purpose of attaining functional parameters that ensure production of items characterized by proper quality in the context of reduced use of raw materials, supplies, fuel and energy.

2. New technologies will be applied in compliance with the provisions of the uniform national plan for socioeconomic development, for the purpose of turning out qualitatively superior products and reducing the use of raw materials, supplies, labor and all kinds of expenses; emphasis will be placed on arranging for the production of new and modernized machines, installations and apparatus, automated production lines, with parameters at an international level and there will be a switch to the production of items whose performance will exceed the world level.

3. Modern methods of quality analysis and control will be used on an overall scale in both design and manufacture of products.

During 1988-1990 Period

In this stage there will be greater emphasis on modernization of products by manufacture of new machines, installations and apparatus, integration of new procedures and modernization of those in existence, so that, practically, all products and techniques may reach a high world level (about 95%).

In this context top technologies will be studied and mastered and an arrangement will be made for the production of items that ensure continued maintenance of the technical and qualitative level of products at the internationally highest parameters, in the context of economic competitiveness. On a differential basis, for the various branches, steps will be taken to ensure that about 2-5% of products may reach performances that exceed world levels.

In line with the above guidelines the program provides for important improvements in the area of quality and of greater efficiency of production. For instance, it is planned that by the end of 1985, practically all the products turned out in the economy reach, technically and qualitatively, at least the average current world level for similar makes; already in 1984, all the exportable products will have technical-functional and reliability parameters on a world level. It is expected that the volume of products of a high level and above the level attained on a world scale, for the overall industry and for the various ministries, shows by 1990 the following evolution:

		In percentages		
		Provisions		
		1985	1987	1990
I -- high world standards				
out of which:				
II -- above the standards reached				
internationally				
Total	I	68.7	84.6	95
out of which	II			2-5
Ministry of the Machine Building Industry	I	76	90	96
	II			2-5
Ministry of Machine Tool Industry, Electrical				
Engineering and Electronics	I	66.8	86	96
	II			2-5
Ministry of the Metallurgical Industry	I	84	93	98
	II			2-5
Ministry of the Chemical Industry	I	70.8	86	96
	II			2-5
Ministry of Wood Industry and				
Construction Materials	I	75.3	85	95
	II			2-5
Ministry of Light Industry	I	70	86	96
	II			2-5
Ministry of Agriculture and Food Industry	I	70.4	85	96
	II			2-5

The economic effects of the improvement in the technical and qualitative standards of products and the improvement in the structure of production must be reflected in the significant rise in the efficiency indicators.

a. For the overall national industry the materials expenditures will be reduced in 1985, versus 1980, by 80.9 lei for each 1000 lei of marketable output, in 1987 by 98.3 lei, and in 1990 by 132.9 lei.

For the various ministries the reductions are as follows:

	Lei Reductions Versus 1980		
	1985	1987	1990
Total	-80.9	-98.3	-132.9
out of which:			
Ministry of the Machine Building Industry	-116.4	-147.4	-201.4
Ministry of Machine Tool Industry, Electrical Engineering and Electronics	-117.7	-146.7	-207.7
Ministry of the Metallurgical Industry	-52.4	-68.4	-100.4
Ministry of the Chemical Industry	-103	-119	-155
Ministry of Wood Industry and Construction Materials	-79.1	-89.1	-115.1
Ministry of Light Industry	-97.9	-113.9	-147.9
Ministry of Agriculture and the Food Industry	-77.2	-89.2	-109.2

These reductions will materialize in lowered use of raw materials, fuel and energy, based on redesign of current products and technologies, promotion in production of new items and technologies conducive to saving resources, specifically for: electric energy, primary energy, metallurgical products, inorganic chemical products, petro-chemical products, basic macromolecular products, pulp and paper, timber, fabrics, and so forth.

b. Reduction of use of materials and energy, concurrently with increase in the unitary value of products based on greater technical and qualitative performances of products must generate significant improvements in utilization of economy's material resources.

The value of the industrial output that will be obtained for each leu spent with raw materials, supplies, fuel and energy used for the output involved will go up as follows:

	In percentage		
	1985	1987	1990
	1980	1980	1980
Total	129.5	141.2	164.2
out of which:			
Ministry of the Machine Building Industry	150.5	168.4	203.1
Ministry of Machine Tool Industry, Electrical Engineering and Electronics	130	146.4	177.1
Ministry of the Metallurgical Industry	130.3	140.7	162.2
Ministry of the Chemical Industry	132.7	146.5	165.6
Ministry of Wood Industry and Construction Materials	125.1	130.8	150.4
Ministry of Light Industry	128.3	138.6	160.8
Ministry of Agriculture and the Food Industry	117.5	127.8	150.8

c. The modernization of products and technologies and expansion of manufacture of high-standard products will also generate major increases in the degree of utilization of Romanian products on foreign markets. For products that have a high input in export, mainly by improving quality and upgrading the product pattern, the degree of utilization translated into foreign currency will go up considerably.

III. Objectives and Measures To Ensure Planned Increase in Technical and Qualitative Level of Production and Better Use of Raw Materials and Supplies for Main Branches and Groups of Products

To complete the tasks of improving technical and qualitative standards and continuously raising the reliability and competitiveness of products for the various branches and groups of products the following guidelines will be promoted:

a. In the machine building industry the major overall indicators on quality and utilization of raw materials, supplies, fuel and energy will be improved as follows:

	1985	1987	1990
A. Proportions in total number of products:			
- Products at a high world level -- %	76	90	96
out of which:			
- Above the level reached on a world scale -- %			2-5
B. Increase versus 1980 in degree of utilization -- %	150.5	168.4	203.1

Measures will be taken to modernize and redesign products, ensuring longer life and safety in operation, smaller weight and relative consumption rates, greater efficiency and lower costs in utilization, maintenance and repairs for users.

It was planned that all manufacturing units in this branch step up redesigning, modernization and assimilation in production of new items, so that by the end of 1985, practically all products that involve lags in relation to world achievements may be replaced.

Similar measures will be taken as to production technologies; 440 new and modernized technologies will have been integrated by the end of 1985.

Firm steps have been planned to improve quality in the execution of products, to strictly follow the provisions of technical documentations and production techniques, to enhance discrimination of technical control in all the stage of production.

Further improvement, under the next five-year plan, in product quality in the branch will proceed in the context of wide-scale integration and promotion of new, complex and highly-efficient technologies, such as: processing based on plastic deformation in magnetic and electric field, rolling of toothing of toothed wheels, heat and thermochemical treatments based on concentrated sources of laser energy, plasma, cathode beams -- flexible processing systems, and so on.

It is planned to expand the production range specifically in the highly technical fields, with very high performance, power and capacity equipment, execution precision and classes of superior quality. There will be an increase in the volume of machines and installations produced on the basis of families, stemming from the uniform structural and functional concept and covering the entire range of requirements as to sizes and purposes for the domestic and foreign markets.

For major products and groups of products the following improvements should be pointed out:

1. In the area of production of equipment and accessories for drilling and extraction of oil and gas, by the end of this five-year plan measures will be taken mainly to integrate new technologies and arrange for the production of new materials for the manufacture of parts that are subject to heavy wear, that are components of drilling and extraction installations and tools, that operate under arduous working conditions. The construction of drilling facilities will be upgraded for the purpose of reducing weight and increasing efficiency in exploitation, by shortening assembly and transportation time by about 30% and raising availabilities from 80 to 90%. Special emphasis will be placed on increasing the reliability of drilling bits, for which there will be provided special high-quality materials (specifically for slides) and outfits for superfinishing and heat treatments, so that in 1985 the bits' life may increase by more than 50% versus the current level.

Under the next five-year plan, the production range will be expanded by a number of new high-standard products: installations and machines for deep drilling; drilling installations, equipment and tool of special construction for operation under arduous exploitation and climatic conditions; bottom hydraulic motors for controlled drilling, units for separation, collection and transfer in closed system of the oil, and so forth.

2. By 1985 the whole range of power-producing boilers, turbodynamos and auxiliary units will have been redesigned, for the purpose of significantly increasing efficiency and safety in operation, eliminating stoppages in operation and reducing maintenance and repairs costs.

For the purpose of saving resources of energy, specifically of hydrocarbons and electrical energy, expanded will be the range of installations for recovery of all the reusable energy resources and steps will be taken to modernize power equipment of users to increase power yields and replace high-grade fuel.

An arrangement will be made for the production of new, highly-efficient kinds of power producing equipment, by using internal resources -- boilers with combustion in fluidized layer of lignite or on bituminous schist, turbines for the production of energy from resources with low potential, hydroelectric sets for hydroelectric power stations planned to be built in this period, and so on.

3. In the production of motor vehicles, the modernizations planned by 1985 must ensure the rise in lift by more than 17%, in the tare index from 1.76 to 2, in the availability index to 77-93% and the increase in the duration of standardized utilization by use of highly resistant materials for main components and extension of use of substitutes with lower relative weights. There will be a switch to use of motors with increased power, synchronized gearboxes, improved hydraulic suspensions and transistorized driving systems. Greater use will be made of electrophoresis painting technology and specialized machines, with active control apparatus.

All the motor vehicles that are currently turned out will be redesigned, modernized or replaced with other types by 1990.

4. Current types of tractors and farm machines will be structurally redesigned by the end of this five-year plan for the purpose of increasing the power, mobility of rolling bridges and systems, equipping with highly efficient and reliable

hydraulic installations, reducing fuel consumption so as to ensure the profitability of operations in agriculture, decrease in costs for maintenance and repairs.

Work will continue on upgrading and diversifying equipment to prepare the terminative bed, concurrently with herbicidation and fertilization of the soil, combined units that perform several operations simultaneously. Higher performance multifunctional self-propelled combines for grain, corn, soybean, sunflower, potato, and so on.

5. In ship building firm measures must be taken to arrange for production and redesign of all ships in current production in order to reduce the weight of the ship, overall size and installations, lower the use of fuel and utilization of heavy fuel. The focus will be on increasing safety in exploitation and reducing the time for repairs.

Under the next five-year plan the production range will be broadened specifically with specialized vessels: 130,000 dwt bulk-carriers; ships for carrying oil, gas and liquid ammonia, container carriers, vessels for research and geological surveying of marine subsoil, and so on.

6. In the area of mining equipment, relative to mining technologies, measures will be taken to ensure increased reliability and safety in operation of equipment by about 20-30%, greater durability of mechanisms and subassemblies that are subject to heavy wear, reduction of metal use by 10-20%.

An arrangement will be made for the production of new installations for mechanization of operations in pits and galleries (excavator with bucket wheel, installations for digging galleries, mechanized shields for heading in soft rocks and medium hard rocks, mine loaders, families of modulable installations for better performance of major technological operations underground, and the like) and for preparations (installations for extraction of metals from solutions with ion exchangers, magneto-hydrodynamic installations for ore re-concentration and separation, installations for extraction of heavy metals from concentrates by using the method of pressure disaggregation, and so on).

7. In the area of electric and diesel electric locomotives the emphasis will be on turning out products with a high degree of thyristorization and which use continuous current, significant increase in reliability, reduction of energy use and of the time for repairs.

8. In the area of machine-tool production measures will be taken to upgrade existing machines and arrange for the production of new kinds of machines that are on a par with best world makes, by provision with powering mechanisms and electron revolution variators, converters, numerical controls, level display, commutation and protection apparatus that ensures increased precision, reduction of time for repairs, so that by 1985 all machine-tools may reach an availability of 80%.

Under the next five-year plan, within the framework of machine-tool production greatly expanded will be the production of automated machine-tools with numerical control, with level display and the like, automated and streamlined machine-tools, with a high degree of mechanization, and complete automated lines for processing, assembly, casting, and the like, that ensure modernization of production technologies and greater labor productivity in the entire machine building branch.

Special attention will be paid to the production of machines and installations with high technical parameters for the light industry -- special effects spinning machines, rotor spinning machines, lines for nonwoven products installations for wool carbonization, continuous washing, bleaching and drying lines, cotton cards, nonconventional weaving machines, highly automated installations that will ensure better processing of raw materials and their substitutes, utilization of recoverable and reusable raw materials, attainment of greater productivity and lower energy use, increased competitiveness of the products turned out.

b. In the electrical engineering and electronics industry the following evolution is planned for the chief indicators of quality and utilization:

	1985	1987	1990
A. Proportions in total number of products:			
- Products at a high world level			
- percent	66,8	86	96
- Above the world level			2-5
- percent			
B. Increase versus 1980 in degree of utilization -- percent	130	146,4	177,1

In this branch which continues to witness priority development, the next 2-3 years must see action to significantly improve quality and technical levels of products for their reaching the level of similar makes in advanced countries and to make sure that in the next five-year plan practically all products are integrated in the rapid rate of innovation that characterizes this field.

Measures will also be taken to upgrade and modernize production structures by creating or developing new sectors, characterized by high technical level and complexity, such as: microelectronics, industrial robots, equipment for nuclear power plants, for new forms of energy for aviation, and so on. Moreover, measures will be taken to redesign and arrange for the production of items that involve reduced use of copper, precious metals and siliceous sheet, miniaturized items, turned out in structural variants that meet special climatic conditions.

For the major products and groups of products the following improvements are planned:

1. In the area of electric machine building the focus will be on increasing power per unit of weight by turning out welded cases, extended use of the series of motors in aluminum cases, increase in the range of motor with disk rotor, continued reduction in use of copper.

2. Under the next five-year plan there will be an increased production of special motors for the purpose of fully ensuring the areas of operation under special conditions (explosive atmosphere, under the influence of nuclear radiations, in extreme temperatures, and so forth).

3. In the area of production of electric, telephone and signalling cables the emphasis will be on wide use of aluminum and superior insulations out of plastics and rubber that permit operation at high temperatures and elimination of steel wire sheathing.

4. In the area of household electric machines and appliances measures will be taken to modernize production especially in terms of improving energy efficiency. The entire range of electrocaloric products will be redesigned for the purpose of most efficient transmission of heat and arrangements will be made for the production of new series of motorcompressors that permit the production of refrigerators with minimum use of electric energy and higher performance.

5. In the area of high voltage equipment production it is necessary to redesign medium voltage switches with little oil, over 72.5 kV measuring transformers and to make arrangements for the production of new series of charge separators and rheostats for starting; expanded will be the technique of insulation-commutation, in sulphur hexa-chloride for the entire high voltage apparatus.

6. In the production of electronic components the focus must be throughout this period on organization and development of production of microelectronics, on integration of top technologies, that permit the switch to production of miniprocessors. Also, within the framework of discreet, active and passive components, there will be developed power products, with high performance and reliability.

7. In the production of television sets, radios and recorders and cassette players, measures will be taken to increase equipment with integrated circuits and reduce the use of energy, for diversification of color television sets, broadening of the range of radios and recorders and cassette players with new types of playing and recording systems, with a greater number of receiving ranges and increased power.

8. In the metallurgical industry, the major overall indicators on product quality and utilization of raw materials, supplies, fuel and energy will be improved as follows:

		1985	1987	1990
A. Proportions in total number of products:				
-Products at high world level	percent	84	93	98
out of which:				
- Above world level	percent			2-5
B. Increases versus 1980 in utilization degree	percent	130.3	140.7	162.2

In light of new trends confirmed by research and development on a world scale in this branch wide-scale innovations and modernizations in production technologies are anticipated, with profound ramifications in terms of quality, structure and economic efficiency of production.

In this context, the new technologies will permit development, under conditions of efficiency, of special alloys needed by modern industry, including quality, alloy, stainless and refractory steels, high purity aluminum alloys, and the like. A paramount objective of these technologies involves reduced use of energy specifically by integration of high temperature stages, so that one may obtain a better utilization of energy from primary processes and recycling of recoverable resources.

The increase in the level of automation of metallurgical processes, to which special attention is paid in light of the impacts on quality and labor productivity, is planned to result mainly from implementation of modern means of automatic control.

During the stage by 1985, efforts will mainly be focused on provision of production lines with installations and facilities for active control of products, in all the production stages, that ensure automatic control of technological parameters within the limits needed for obtaining high quality products. Moreover, in this first stage significant improvements are planned in the organization and unfolding of repairs and maintenance of machines and installations by wide-scale promotion of preventive maintenance and ensuring of the entire amount of parts and safety subassemblies needed, that permit continuity in operation of the equipment.

In this context, concurrently with expanding the production range of metallurgical products in sophisticated areas, significant improvements also are planned in terms of the qualitative level of the products involved, materialized in obtaining better mechanical and technological features, in the homogeneity of the chemical composition and reduction of the content of harmful elements, and also in the high standards of finishing and dimension accuracy.

For major products and groups of products noteworthy are the following improvements:

1. for metallurgical coke it was planned to increase the efficiency of production by optimizing the coking battery heating rates, by switching to preheating of coking charges -- with impact on fuel use -- integrating new equipment and technologies for advanced separation of chemical compounds in coking plant tars, and so forth.

2. for cast iron, partial replacement of lime with dolomite and desulphurization out-of-the-furnace will result in ensuring, already under this five-year plan, the lowering of the sulphur content under 0.002%. Provisions for the end of the next five-year plan involve mastering the technology of injecting into the furnace residual gases obtained from gasification of coals.

3. for steel the qualitative improvements anticipated for the first stage -- 1985 -- will proceed in the context of reduction of use of alloy elements, by increasing the volume of quality carbon steel -- low-alloy and microalloy with boron and titanium. To increase chemical purity the focus will be on expanding the use of procedures of vacuum degasification and oxygen decarburization in argon medium.

For graphite electrodes, the increase in exploitation durability will chiefly be ensured by applying the impregnation technology and wider use of acicular coke.

For metallurgical processing products, the immediately subsequent period will see measures being taken mainly to ensure the constancy of mechanical and technological features, to obtain optimal metallographic structures and increase the level of machining and dimensional accuracy. Wider use will be made of controlled cooling of rolled products, the globulization annealing procedure, and steel working by stretch and hot-drawing.

In the development of production in this field under the next five-year plan a continuously greater volume will involve high-standard products such as: new kinds of

thick sheet out of weld iron for construction with high resistance, thermally treated; special rods and sheets for the chemical, nuclear and aeronautical industries; electrotechnical strips with very high magnetic permeability, compact finished sections turned out in continuous flow, electrolytic tinned plate, and so on.

Furthermore, it is planned to use unconventional technologies of heat treatments and provide the equipment needed for increasing, in 1990, the volume of heat-treated metallurgical products.

d. In the chemical industry, the major overall indicators for the technical and qualitative standards are as follows:

		1985	1987	1990
A. Proportions in total number of products:				
-Products at a high world level out of which:	percent	70.8	86	96
-Above world level:	percent			2-5
B. Increases versus 1980 in utilization degree	percent	132.7	146.4	165.6

In this branch, by the end of this five-year plan, measures will be taken chiefly to raise the qualitative parameters to the level of similar makes on a world scale, reduce the content of impurities to the limit allowed by international standards, increase the input of superior quality into total output. To this end, it is planned to increase the level of safety in operation of installations and the stability of parameters of production processes by performing maintenance and repairs on schedule and at the proper qualitative level and by providing measuring, control and self-control apparatus in all production stages.

Under the 1986-1990 Five-Year Plan efforts will further be made to upgrade technologies for the purpose of improving the qualitative parameters of products and reducing the use of energy and raw materials especially in ammonia, sodium product, synthetic rubber, plastics and other plants. A major objective involves development of chemical and biochemical procedures for making good use of new sources of raw materials and supplies for the chemical industry.

Special attention will be paid to utilization of wastes, by-products and used products in the area of products of rubber, plastics, petroleum products, inorganic products, nonferrous metals and those resulting from treatment of waste water.

Furthermore, efforts will be focused on arranging for the production of new items that meet the needs of the economy especially in the area of medicines, dyes, auxiliary products, insecticides, intermediates for polyurethanes, extrapure materials and substances for the electronics industry. For major products the following improvements are anticipated:

1. In the chemical fertilizer industry measures will be taken to increase the mechanical resistance of granules for the purpose of reducing powdering of fertilizers and the tendency to agglomerate.

Along the line of improving structures there will be a wider promotion of liquid fertilizers and complex fertilizers with microelements (sulphur, magnesium, borine, zinc, iron, and so on), with a view to expanding exports.

In the future efforts will be focused on upgrading existing installations for the purpose of reducing the use of energy and producing more live synthesis catalysts for increasing efficiency in ammonia installations.

2. In the area of macromolecular products and synthetic rubber there will be ensured the constancy of basic characteristics (degree of polymerization, plasticity, resistance to rupture and wear) and production of improved items, that are resistant within wider ranges of temperature, to ultraviolet rays, in corrosive media.

To this end, already under this five-year plan measures will be taken to upgrade the production technology for polystyrene, to predominantly develop the production of polyvinyl chloride for products designated for the manufacture of high voltage electric cables, food packaging and high-quality leather substitutes. An arrangement will be made for the production of new kinds of polyethylene for electric cable insulation, fireproofed polypropylene, ureoformaldehyde resins with a low formal content; steps will be taken to increase the activity of catalysts and reaction initiators.

3. In the rubber processing and plastics industry measures will be taken to increase, already in 1985, the utilization duration for tires and technical items.

The production range will be significantly expanded under the next five-year plan by arranging for the production of high standard products: various rubber items for special uses and new kinds of tires of a special construction for high capacity motor vehicles, tractors, farming machines, and the like.

4. In the pharmaceutical sector efforts must be focused on utilization of resources of medicinal herbs, apicultural and animal extracts, and for the considerable development of qualitatively superior products of biosynthesis and fine synthesis.

Special attention will be paid in the next five-year plan to arranging for the production of superior kinds of antibiotics, sulfamides, cytostatics, scents for cosmetics.

5. In the lacquer, paint, dye and organic pigment industry, measures will be taken to master and promote a wide range of new products with higher qualities turned out on the basis of domestic synthetic raw materials that would to the greatest extent replace raw materials which are in short supply or imported. In this context, a special input will be provided by the fine synthesis chemical sector which must ensure the entire gamut of dyes and organic pigments needed by the industry of lacquers and paints, inclusively for the light industry.

Measures will be taken for production, after 1985, of some kinds of varnishes and paints for anticorrosive protection that will be superior to those being currently produced.

In the construction materials and wood industry branch, the major overall indicators as to the technical and qualitative level of production will evolve as follows:

		1985	1987	1990
A. Proportions in total number of products:				
- products at a high world level	%	75.3	85	95
out of which				
-Above world level	%			2-5
B. Increases versus 1980 in utilization degree	%	125.1	130.8	150.4

Concurrently with the measures taken to reduce the use of energy in this branch steps will be taken to broaden the range of products with new items with superior features.

For cement the focus is on increasing the proportion of special products by arranging for the production of combustion well cement, white and color cements, and the like and also cements with granulated slag and ash additions. Measures will be taken to reduce and replace high-grade fuels by utilization of coal in clinkering and also by promoting the precalcination procedure.

There will be an increase in the volume of hydrated lime and the output of spinel-magnesite refractory bricks; steps will be taken to expand the production of special asbestos cement-based thermoinsulating tiles, of decor faience and majolica tiles; emphasis will be placed on expanding the production of large concrete panels characterized by superior finishing and fitting, for which, as a result of the technologies used, the reduction in relative consumption rates versus 1982 will be 10% for cement and 44% for fuel.

6. For wood products there will be designed and produced by 1985 type-sizes of furniture characterized by new structural and cost-effective approaches, reduced weight and standardized sizes for dimensions and components. Moreover, steps will be taken to reduce thicknesses for all wood items with the aim of putting lumber to better use. Measures will be taken to arrange for the production of upgraded plates with an index of slow propagation of the flame and hardened layered wood; there will be ensured a rise in the volume of art furniture in the total furniture output: to 27.8% in 1985 and 33% in 1990. In this context, the value of the furniture output obtained from one cubic meter of lumber will go up by a factor of 1.5 in 1990 versus 1982.

7. For paper and chemical pulp the focus will be on increasing the degree of white and reducing consumption rates, and also on achieving greater resistance and superior quality for printing by using new gluing, fiber and material retention agents. Moreover, conditions will be ensured for reducing grams per square meter by 12.5% for paper and 24.5% for cardboard in 1985 and by 15%, respectively, 29% in 1990 versus 1982 and for extending the use of waste paper in the production of paper and cardboard.

f. In the light industry, the major overall indicators as to the technical and qualitative level of production will evolve as follows:

		1985	1987	1990
A. Proportions in total number of products:				
-Products at a high world level	%	70	86	96
out of which:				
-Above world level	%			2-5
B. Increases versus 1980 in utilization degree	%	128.3	138.6	160.8

The improvement in the quality of products in this branch will coincide with the continuous diversification of items and upgrading of production patterns, in the context of reduced use of raw materials and supplies and promotion of substitutes.

For this five-year plan there has also been emphasis on stipulations for provision of the branch with some new high-standard machines and installations, characterized by a high degree of automation and increased productivity.

1. For textiles the focus will be on expanding the production of superior items, wrinkle-free, non-stain, pelliculated, preshrunk fabrics, produced in a varied color gamut. Firm measures will be applied to reduce consumption rates per square meter, in accordance with the standards specified, with the fabrics' resistance remaining at a high level as a result of using finer yarn and increasing the count.
2. In the production of footwear and leather garments the focus will be on turning out leather products with greater softness, silky appearance, water-repellent suede out of pig skin, poromeric man-made materials on woven base.
3. In the production of household items arrangements will be made for the production of enamel cookware with heat-resistant accessories out of bakelite or ceramic, with thin walls and thick bottom, with boiling efficiency of 58-60%, decorated with decalcomania and colored enamel.

Also expanded will be the range of superior products out of glass, crystal and fine porcelain with a high economic value, sought after for export and on the domestic market.

Under the 1986-1990 Five-Year Plan there will be greater diversification and upgrading of the quality of products in the context of reduced use of raw materials and promotion of substitutes.

In all the sectors of the branch arrangements will be made for wide-scale use and promotion of new, modern and highly-efficient technologies.

In this context, in spinning and weaving mills there will be a switch to using technologies with a reduced number of stages and involving the optimization of bleaching, mercerization and washing processes designed to result in 20-40% reduction in water and thermal energy use and 10-20% reduction in the use of chemical auxiliaries; in dyeing measures will be taken to promote rapid dyeing that results in thermal energy savings of 50-60%.

In the garment industry the efforts are focused on greater automation of processes, specifically for grading, stretching, and cutting and also on integrating nonconventional technologies of processing and assembling (welding, gluing, and so on).

4. In footwear measures will be taken to develop the system of prefabrication of components, which will provide the basis for diversification and better quality of production and wide-scale use for protective footwear of extrusion and injection, by using the new types of thermoplastic polymers.

g. In the food industry, it is planned to achieve the improvement in product quality in the context of wisest possible use of the resources of agricultural raw materials, by arranging for the production of new items, with superior qualities.

To this end, measures will be taken to capitalize on the results of scientific research in order to ensure that the new products best meet the tastes of the population and the needs of sensible nutrition.

In this context, it is planned to extend the use of vegetable proteic derivatives, maximize the use of some internal resources such as forest fruit, plants from the native flora, and the like, in order to fully ensure the base of raw materials for the production of proper quality refreshing drinks. Moreover, it is planned to use liquid smoke and extracts from native plants with superior properties for spicing foods, for the purpose of upgrading their organoleptic qualities.

Furthermore, steps will be taken to redesign production technologies and rationalize production flows specifically in the meat, milk, grinding, bread and sugar product industries, for the purpose of modernizing the machines and installations and of increasing the level of utilization of all resources, reducing all kinds of losses and increasing mechanization in handling and transportation of agricultural raw materials.

In the entire food industry firm measures will be taken already under this five-year plan for improvement of production formulas, optimal development of production processes, ensuring of all conditions for preservation and conservation of nutritional characteristics.

Similar projects will also be carried out in the 1986-1990 Five-Year Plan; new items will be introduced in production and efforts will further be made to expand the material base by using new raw materials in production. For the purpose of upgrading the coloring and organoleptic features arrangements will be made for production of natural dyes, flavors and enzymes, adequate substances will be used in the production of icecream and juices. The preservability of refreshing juices will be upgraded.

This stage will see the upgrading of a number of food technologies specifically for the production of proteins, nucleic acids, organic acids, lysine, glucose, fructose, starch, and so forth.

h. In the mining industry, use of technical progress focuses on diversification of extraction and dressing technologies -- with the production of adequate equipment -- for the purpose of increasing production, multilaterally utilizing the resources,

extracting the useful elements from the deposit, from mine dumps and sludge beds of dressing plants, reducing consumption rates for energy and supplies concurrently with utilizing the possible resources for improving the quality of the products recovered from the deposits put into operation, poorer and poorer and with a significant number of useful accompanying components.

In coal mines -- in addition to upgrading of mining procedures and excavation technologies, with equipment for complex mechanization of operations, corresponding to the layers of different thicknesses (thin, medium and thick) and differently consolidated surrounding rocks -- wider use will be made of the methods for reducing the amounts of slack in the coal mined, by selective mining of the layer of coal and of rock interlayer, and by subsequent selection of useless rock lumps. More attention will be paid to drainage of mining areas and drainage of infiltration water to reduce the moisture in the coal extracted and to ensure normal conditions for operation of the equipment and optimal unfolding of mining and transportation processes.

Upgraded will be the equipment and technologies in coal dressing facilities -- specifically those for obtaining coking coal -- for the purpose of reducing the ash content in finished products, concurrently with raising the level of coal recovery.

In the area of metalliferous and nonmetalliferous ores, scientific and technological research will focus on upgrading mining methods in seams of small and medium thickness, with selective mining and mechanized operations, for the purpose of significantly increasing production and labor productivity concurrently with cutting loss. Consequently, extended and upgraded will be the methods of mining with vertical slices, with storage of ore with mobile metal support, and the like, and in mining thick seams the focus will be on using mining methods in sublevels, with chambers and pillars, with mining rooms, that ensure productivity rates which are 3-4 times higher than those achieved so far. Emphasis will be placed on improving the removal and transportation of the ore from the stopes by use of complex loading-transport-unloading machines.

In the area of ore dressing it is planned to develop combined technologies for complex utilization of basic metals (lead, zinc, copper) from poor polymetal ores (preconcentration-concentration, collective-selective flotation, chemical treatment, and so forth). New technologies will be worked out and integrated for utilization of some accompanying and disperse metals in polymetal ores (molybdenum, tin, wolfram) concurrently with production of corresponding equipment and synthesis of the required chemical reagents.

For the utilization of some reserves of ores with low iron content and weakly magnetic ores, new processes will be used for dressing these ores by flotation or hydrometallurgical procedures.

To increase the efficiency in recovery of metals in concentrates, automatic production lines will be introduced, with automatic control of the composition and automatic dosage of dressing reagents.

For the purpose of broadening the superior range of nonmetalliferous products, specifically kaolin and refractory clay, new technologies for chemical and electromagnetic dressing of crude ore will be integrated and technologies for obtaining new products of graphite, feldspath, bentonite, with broad uses, will be upgraded.

IV. Tasks of Economic Units, Central and Local Organs To Upgrade Technical and Qualitative Standards of Products, To Increase Utilization of Raw Materials and Supplies

1. The ministries, centrals, enterprises, research and engineering institutes will formulate, by 1 March 1984, their own programs, which should outline the tasks and responsibilities that devolve upon economic units in terms of upgrading the technical and qualitative standards, modernizing all items in production, improving the technologies of production and control of quality for the purpose of materializing the projects that must be undertaken to upgrade quality and reliability of each individual product.
2. Measures will be taken to accurately determine the quantities and qualities of the raw materials, supplies, subassemblies and parts that underlie the attainment of the technical and qualitative standards of products, specified in the programs, finalizing on legal deadlines the contracts and protocols involved.
3. The ministries and industrial centrals, with the support of the State General Inspectorate for Control of Product Quality, will upgrade the professional training of the quality technical control personnel by assimilation of modern methods and specifically of statistical control, with focus on increased efficiency of the activity of control and responsibility of controllers.
4. For the purpose of continuously improving product quality and maintaining product performance at the level of that of best makes on a world scale, annually analyses will be organized, with finalization in the first quarter, by ministries, centrals, combines, enterprises, in conjunction with research and engineering institutes, for each item in current production, with the results to be used for updating the provisions of quality programs.
5. The enterprises, centrals, ministries, research and engineering institutes will establish their own banks of technical and economic data relative to similar products on a world scale, that should be utilized for the analysis of the qualitative standard of products in their own production and for preparation of surveys on arrangements for the production of new items and modernization of items in current production.

The centrals and enterprises will strengthen the research departments or will establish collectives of experts who, under the technical guidance of specialized institutes, will take over the fulfillment of some research-design tasks that result from the quality program, for the purpose of speeding up the process of modernization and improvement in product quality.

6. The Ministry of Technical-Material Supply and Control of Management of Fixed Assets, together with the plan coordinators, centrals and enterprises will take firm steps for on-schedule and quality performance of current and capital maintenance and repairs for machines and installations. Capital repairs will coincide with modernizations to ensure high-standard operation on a par with that of new similar makes; strict control will be established over the performance of machines and installations for the purpose of ensuring production accuracy in accordance with technological provisions.

7. In order to ensure in production processes the measuring and control apparatus at the level of accuracy required by production documentations, the ministries responsible for the production of measuring and control equipment will outline production programs coordinated with the provisions of this program; measures will be taken for completely meeting the needs for measuring and control apparatus.
8. The ministries, centrals and enterprises, with the assistance of the State General Inspectorate for Control of Product Quality, will take measures so that beginning in 1984 they may introduce modern methods for monitoring the optimization of the quality of products in relation to the costs involved for their production in all their units.
9. The ministries, with the assistance of the Romanian Institute for Standardization and the State General Inspectorate for Control of Product Quality, will tailor the product standards to the quality requirements of similar makes at a high world level.
10. The ministries, together with the State General Inspectorate for Control of Product Quality, will ensure in all economic units the application of modern methods of control, enlisting to this end all workers from designers to executants and quality controllers for turning out the products at the technicoqualitative level specified by the design. Modern control technologies will be specified for all products and high-standard apparatus and devices will be provided for achievement in automated systems of the control of technicoqualitative performances of products.
11. The Ministry of Finance, the State Planning Committee and the National Council for Science and Technology will annually analyze the formation and utilization of the fund for new technology in correlation with the needs for accelerating the rate of modernization of production, in line with the provisions of this program.
12. The State Planning Committee will predominantly include in five-year and annual plans the necessary material and financial resources for full implementation of the program provisions.
13. The Ministry of Education, the other ministries and the "Stefan Gheorghiu" Academy will take measures to incorporate in instructional programs knowledge on ensuring the quality and reliability of products and modern methods of control.
14. The collective leadership bodies in economic units will take steps to upgrade the professional and technicoscientific knowledge of working people, of all the cadres, the improvement of their skills and broadening of their horizon of knowledge being an essential requirement for the resolution, in the best possible conditions, of the problems of modernization of each economic unit, for the upgrading of the technical and qualitative standards of the entire production.
15. The party organs and organizations, the trade union, mass and civic organizations will center their efforts on implementing the program for the improvement of the technical and qualitative level of products and superior utilization of raw materials, supplies, fuel and energy and will outline political and organizational measures for each unit for the exemplary fulfillment of all the provisions in the program.

16. The press and radio and television, in conjunction with the ministries and the other central bodies will include in newspapers magazines and broadcasts appropriate materials for popularization which will be instrumental in educating working people in economic and service units, all the people, for the creation of an opinion for strict compliance with quality standards, for raising the product performance to the level of top achievements, compliance with the production documentation, thereby contributing to the implementation of the party and state policy, of the instructions of the party secretary general relative to the continuous improvement of the quality and competitiveness of products.

The implementation of the quality program, formulated on the initiative and under the direct guidance of party secretary general Nicolae Ceausescu, the President of the Republic, will provide a decisive input into the upgrading of the quality of all the economic activity.

Outlining the methods and steps for continuously upgrading the quality of Romanian products to bring it to the level of best world achievements, for reduction of consumption rates for raw materials, supplies, fuel and energy and for increasing their utilization and raising the competitiveness of Romanian products on foreign markets, the program must focus the efforts of all working people in enterprises, research and design institutes, in research sectors, in centrals, ministries and the other central organs, who must use all their energies, all their capability to fully and exemplarily accomplish the objectives and tasks set.

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IMPLEMENTATION OF OVERALL CONTRACT SYSTEM IN AGRICULTURE

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[Article by Gh. Fratila and Dan Morisca: "The Overall Contract System--An Incentive for Increasing Agricultural Production"]

[Excerpts] In the framework of the systems of measures, or organizational forms and of incentives for workers for the fulfillment and over-fulfillment of the tasks of the plan as a basis for increasing the national, revenue and their own incomes, the generalization of the overall contract system in the remuneration of labor is an action of particular economic and social importance. Capable of being applied in almost all domains of economic and social activity, the overall contract system finds wide utilization in agriculture, representing, for this branch, the raising to a higher level of experience accumulated over the years.

Thus, despite the fact that application of the overall contract system has been taking place over a long period in cooperative agriculture and the fact that both cooperative members and management cadres of the cooperatives are convinced that this form of organization and remuneration of labor is a proven means for increasing the yields and the incomes of the community and of individuals, quite often its implementation is executed with some elements of formalism. In some cooperatives, the percentages of norms placed under the overall contract system, both in vegetable production and in animal husbandry, were below the level of real possibilities. During the 1977-1981 period, in the Peris Agricultural Production Cooperative and the Balotesti Agricultural Production Cooperative (in the Ilfov Agricultural Sector), the percentages of norms under the overall contract system oscillated between 31 and 69 percent and between 31.6 and 56 percent respectively, with similar effects on the average level of remuneration for a norm.

These examples prove that both in the cooperatives mentioned and in many others there are sufficient reserves for increasing the role of the overall contract system in executing the production tasks on a superior quantitative and qualitative level, in increasing labor productivity, and in increasing the incomes of the cooperative members. In addition, the generalization of the overall contract system for the remuneration of labor, on the level of the

entire economy, ensures that the agricultural production cooperatives will have the conditions for the transition to a new position in organizing, setting norms and remunerating labor. However, it should be pointed out that the absence of a uniform clear and functional methodology is still creating difficulties and is hindering, to a certain extent, the implementation of the overall contract system for all crops and activities. At present, the crops and activities which require a greater consumption of manpower are included in this system. Also, the concrete application of the overall contract system for activities sometimes differs in form from one cooperative to another.

Therefore, the generalization of positive experience accumulated by some cooperatives represents one of the ways of perfecting the forms of remuneration of labor under the overall contract system. Taking this aim into consideration, we are presenting some measures adopted and results obtained in the Sapoca United State Agroindustrial and Cooperative Council.

Located in the hilly zone of Buzau County, this council has an agricultural area of 20,758 hectares, including 7,219 hectares of arable land. In 1983, as a result of organizational actions taken by the management organs of the council, more than 75 percent of the arable land was placed under the overall contract system--including 2,889 hectares of corn, 740 hectares of sunflower, 450 hectares of flax for fiber, 145 hectares of potatoes, 105 hectares of sugarbeets. Also 85 percent of the vine-growing area and 89 percent of the orchards were placed under the system. The entire animal husbandry sector was placed under the system.

It is significant that actions were taken at the council level which would ensure a relatively uniform use by all cooperatives of the methodology for the application of the overall contract system, for activities, crops, varieties and categories of animals. This was necessary because some cooperatives in the council have specific production conditions which require special attention in the organization and utilization of the labor force.

The overall contract system must adopt specific forms in accordance with the concrete conditions of each unit, with the final goal being the achievement and over-fulfillment of the planned production, the use of the labor force with the highest productivity, and the increasing of the incomes of the cooperative members.

In all the agricultural cooperatives in the Sapoca council, the remuneration of labor in the animal husbandry sector is done on the basis of the overall contract system. In the majority of units, individual pledges have been signed, which give cooperative members greater incentive for executing the planned tasks. In the same direction, the initiative for increasing the number of indicators which serve as a basis for the remuneration, by the redistribution of some of the rates of payment, should also be mentioned. For example, in the cattle sector, the remuneration of the cooperative members is based on the milk production, the number of calves, the number of matings and the number of gestations. The annual tasks are apportioned by months and the remuneration is made in accordance with achievements on the basis of variable rates, calculated on the basis of the ratio between the average monthly planned contribution (constant for each month) and the planned production for each month. Since the pledges were signed at the beginning of the year, the animal tendors also benefit from the advantages resulting from the measures set forth in Council of State Decree No 95/1983.

The methods used in this council--even if they are not the best possible measures--reflect the concern of the organs of leadership with ensuring the greatest possible incentive for cooperative members to increase production.

This is why, both in vegetable production and in animal production, some units have found the most effective forms for the application of the overall contract system, whose extension and generalization of cooperatives with similar conditions can contribute to the increase of agricultural production, year after year, and to an increase in the well-being of industrious workers.

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